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COMPETITIVENESS IN THE GLASSWARE INDUSTRY

HEARING

BEFORE THE

SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

COMPETITIVENESS IN THE GLASSWARE AND COMMERCIAL CHINAWARE INDUSTRY

OCTOBER 30, 1989

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COMPETITIVENESS IN THE GLASSWARE AND COMMERCIAL CHINAWARE INDUSTRY

MONDAY, OCTOBER 30, 1989

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM,
Martinsburg, WV.

The subcommittee met at 9:32 a.m. in the Blue Ridge Room, the Martinsburg Sheraton Inn, Hon. John D. Rockefeller IV (chairman of the subcommittee) presiding.

Staff members assigned to this hearing: Loretta Dunn, staff counsel; Sally Susman, professional staff member; and Fiona Branton, minority staff counsel.

OPENING STATEMENT BY SENATOR ROCKEFELLER

Senator ROCKEFELLER. I want to welcome everyone here, and we will begin this Senate hearing. I will make a statement first, and then I look forward to not only hearing from our witnesses, but being able to ask questions.

Today the Subcommittee on Foreign Commerce and Tourism is going to look at the competitiveness of the American glassware, kitchenware, and commercial chinaware industries.

Although these are different industries, they share similar problems and have for a number of years. They have all suffered. That is the problem that they have shared. To a very significant extent, their problems have been caused by dramatically rising imports, especially imports from low-wage countries such as Mexico and a variety of Asian countries.

These industries have done a lot. They have retrenched. They have had to close down a lot of capacity. They have closed down inefficient facilities. They have upgraded their current operations with modern technology as best as they have been able to afford. Nevertheless, they still, after all of these adjustments, find themselves very much threatened by imports.

Now, many of the companies are located in small towns in West Virginia. This is a phenomenon also associated with the textile industry and the footwear industry.

And this is true, generally speaking, across the country——

Often it is the case that the plant will be the largest plant in the community, sometimes the only plant in the community, and therefore proportionally causes many more problems.

So when a company closes its door, as has been the case in these industries we are discussing this morning, the devastation is not just local, but it can cover a very broad area. And usually there are by definition no backup industries to pick up the people who are laid off.

There have been, sorrowfully, many closures in these industries over the past ten years. The glassware industry in the United States has lost 12,000 jobs since 1984. In West Virginia alone, nine plants have closed in the last five years, and I want to read them off to you:

Salem Glass in Salem, West Virginia, in 1984;

Harvey Industries in Clarksburg in 1985;

Mason Glass in Jane Lew, that is in Lewis County; that was in 1985;

West Virginia Specialty Glass in Weston—that is in Lewis County—1986;

Fostoria Glass in Moundsville, that is in Marshall County, 1986;

Diamond-Bathurst in Vienna, that is Wood County, 1986;

Owens-Illinois in Vienna in 1986, that is also Wood County;

Anchor Hocking in Clarksburg, 1987; that was a very painful one for Clarksburg with some 900 jobs. After a tremendous modernization effort, that plant is still flat empty, 900 people out of work in Clarksburg, West Virginia—no other company can pick up those people.

And then Corning in Paden City in 1989.

So you have a very graphic history here in West Virginia, which has the right ingredients for success: the sand, the skills, the tradition of a glass producing state. From a personal point of view, I am just not willing to stand by and watch industries in small communities in my state of West Virginia and all across this country to be devastated.

I mean, you can sit by and watch companies disappear or you can try to do something about it. Many West Virginians work in these manufacturing companies. Many more did in the past. Many others work in companies that support these industries, for example, U.S. Silica, which employs 230 West Virginians in supplying sand to the glass industry. These people and those companies obviously suffer when a glass plant closes, and they are very, very important to me.

So the purpose of today's hearing is to highlight some of the current strengths in these industries and also to explore the challenges facing these companies in their ability to compete in the kind of climate that we have in our world at the present time.

This has to do with GATT negotiations and with the General System of Preferences—the matter of tariffs, do they go up or down. These matters are not generally understood by people in our state or other states, but of enormous import in terms of jobs in West Virginia and elsewhere.

I am going to do everything in my power to help: to not only allow these industries to remain competitive, but also, frankly, to remain in business. And as I say, nine closings in the last five years is not a good omen.

So I am very pleased now to go to our first panel of government witnesses. Alan Dunn is Deputy Assistant Secretary for basic industries for the U.S. Department of Commerce; and Melissa Coyle is the Director of GATT Affairs. GATT is the General Agreement on Tariffs and Trade.

I know both the Secretaries, Secretary Mosbacher and Ambassador Hills, very, very well, and I am delighted that you are both here and I am glad that you took the time to come.

And I think you are probably surprised that West Virginia is so close by. You probably got here in what, about an hour and a half?

Mr. DUNN. Or less.

Senator ROCKEFELLER. Great. Now, Mr. Dunn, do you want to proceed, sir?

Mr. DUNN. We have reviewed our comments and the nature of the USTR comments are a little bit more general. It is probably appropriate that Ms. Coyle start.

Senator ROCKEFELLER. Ms. Coyle, very good, we will start with you then.

STATEMENT OF MELISSA D. COYLE, DIRECTOR, TARIFF AFFAIRS, OFFICE OF THE U.S. TRADE REPRESENTATIVE

Ms. COYLE. Thank you, Senator.

I appreciate very much the opportunity to be here today. It is important for us to hear the concerns of the various industries that we will be reviewing as we prepare for the multilateral trade negotiations, known as the Uruguay Round. And so it is a very nice opportunity to be here.

The procedures that we are following as we prepare for these negotiations are in fact the ones laid out for us by the Congress in the Omnibus Trade and Competitiveness Act of 1988. The Congress set out the negotiating authority which the President would be allowed to follow in these negotiations.

Through June 1st, 1993, the President is authorized to proclaim reductions in duties according to the following stipulations: duties of five percent or less may be reduced to zero; duties greater than five percent may be reduced by a maximum amount of 50 percent, but we will not allow increases in any duties.

Reductions will be staged over a ten-year period generally, as much as three percent per year or ten percent of the entire reduction if greater than that.

We have also followed the procedures set out by the Congress in going to the U.S. International Trade Commission to ask for advice from them on offers that we would make to other countries in the negotiations.

We received that advice in June of this year and are continuing to analyze it.

This hearing today comes at a particularly opportune time. We have only just now begun the deliberations within the U.S. government in preparing the offers that we might make to other countries at a future time. We are beginning to analyze situations in the various industries, and in fact the rest of this week in Washington the Trade Policy Staff Committee, composed of all major Departments and agencies with an interest in trade, will be coming to a set of public hearings that the Administration will be having, and we will be receiving testimony from a number of companies located in West Virginia and in fact present today at this field hearing.

In my statement on pages 3 and 4 I listed the companies in the glass and ceramic sectors that we have heard from, both in writing and that we will hear from in public comments and oral testimony later this week.

So that you can see we have quite an elaborate process that we will be going through, both in terms of analyzing background information and talking to the private sector.

We will continue to consult with Congress, with our industry sector advisory committees that represent all major industries, as well as the labor advisors that advise the Executive Branch during these negotiations as well. We hope in this way to gather as broad an amount of information as we possibly can, so that as we begin to put together specific offers that we would present to other countries, that we would have all information available to us before starting that process.

Senator ROCKEFELLER. Before what?

Ms. COYLE. Before starting the process of putting our specific offers together.

Let me just say a word or two, before turning to the General System of Preferences, about some things that are different about the current negotiation as opposed to negotiations that were carried out in the past on tariffs. In this negotiation we intend to use what is known as a request-offer approach, so that we will ask or invite other countries to give us lists of items in which they are particularly interested before we set down what we are prepared to offer to them in return.

They then will analyze what we have put on our list of offers and respond to that. We hope in this way to be able to select those items that are of particular interest to us in other markets.

We are now putting together 96 lists which we will give to other countries to say these are the items that we are particularly interested in having reductions on, and then we hope that other countries will respond soon, certainly early in the year next year, so that we can begin to negotiate.

The other thing that is very different about this set of negotiations is that there will be much more emphasis on developing countries, particularly the newly industrialized countries, which many say are no longer developing, but in fact have moved beyond that stage.

In past rounds we did not negotiate heavily with those countries, but this time we have identified a long list of tariff and non-tariff barriers that we will be discussing with each of them.

Let me turn to Mexico and GSP, which I know is the other issue that is of particular interest today. The GSP, or Generalized System of Preferences, is another program which the United States has to offer tariff preferences to developing countries.

Mexico is a participant in that program. The Mexican government has, and companies in Mexico have, put forward a number of requests to the U.S. Trade Representative's Office to ask for duty-free treatment on products, including glass.

The petitions were filed in Washington June 1st. There were public hearings held on those petitions in September of this year, and the inter-agency review on them is continuing through about February of next year.

We have heard from a number of private sector companies and witnesses in that process, where they were able to make their views about the specific requests known to the inter-agency group in Washington.

We know of course that glass is one of the categories in the GSP which we need to exercise particular care about. We are statutorily prohibited in that program from offering GSP duty-free benefits to import-sensitive products, and one of the purposes of accepting the petitions from Mexico for review is to determine which of those products that are currently under review are import-sensitive in the context of GSP and may not be given duty-free treatment.

We received 24 petitions from Mexican firms to add glass to the GSP. Of those, nine were accepted for review and these cover seven different tariff lines. Five of the products that will be under review are types of non-wired float glass. Some of these products have never been examined for GSP treatment. Some have not been reviewed for a number of years. For example, one was reviewed in 1983 or earlier.

But we do feel that there has been some changed circumstances in the industry which we would also need to take into account, where U.S. capacity utilization has increased from 71 to 89 percent, and that there may be some products which, at least in the petitions it is alleged, that these are not produced in the United States.

In one case, one of the items under review has not been examined in the GSP context since 1982.

It is the beginning of the process to look at these items under GSP. To accept a petition for review is not to pre-judge the outcome on those petitions.

We have also asked the U.S. International Trade Commission to forward advice to us on the import sensitivity of these products in the context of GSP, and we will be examining that information in addition to the private sector testimony.

The President will announce his decision on these petitions on or about April 3rd, 1990. You may be assured, Senator, that we will not provide GSP benefits to any glass product that we determine to be import-sensitive.

Thank you very much.

[The statement follows:]

STATEMENT OF

MELISSA D. COYLE
DIRECTOR, TARIFF AFFAIRS

I appreciate the opportunity to appear before you today to discuss the procedures which the Administration is following in preparing for market access negotiations in the "Uruguay Round" of multilateral trade negotiations. This hearing is one element in an extensive process of gathering private sector and other comments as we prepare for these negotiations.

Market access negotiations, dealing both with tariffs and non-tariff measures, comprise two of the 15 negotiating groups which are now meeting under the auspices of the General Agreement on Tariffs and Trade (GATT) in Geneva, Switzerland, to discuss the widest and most ambitious range of international trade issues ever undertaken in such negotiations. We believe the "Uruguay Round" represents the last opportunity in this century to rewrite the rules governing international trade so that U.S. exporters can achieve the greatest possible access to overseas markets in the future.

Our procedures for preparing U.S. negotiating positions in the market access portions of these multilateral negotiations are, for the most part, specified in the Omnibus Trade and

Competitiveness Act of 1988. Congress has provided the President with authority, through June 1, 1993, to negotiate and proclaim reductions in U.S. tariffs, according to the following stipulations: duties of 5 percent or less may be reduced to zero; duties greater than 5 percent may be reduced by a maximum cut of 50 percent; and increases in duty rates will not be permitted. Such duty reductions are to be phased in, or "staged," over a 10-year period, unless the article in question is not produced in the United States, in which case it is deemed that no staging is necessary. Reductions are to occur in increments of 3 percentage points, or at the rate of 10 percent of the total tariff cut, whichever is greater.

As required under law, we have asked for the advice of the U.S. International Trade Commission (USITC) regarding the probable economic effects of reducing or eliminating U.S. duties, taking into account the negotiating authority and other requirements stipulated by the Congress in the 1988 Act. The USITC advice and other advice from the Congress and the private sector will form key elements of the information reviewed in making policy decisions on the tariff concessions which the United States will offer to other trading partners.

This hearing comes at an opportune time. We have not yet begun specific interagency deliberations on the content of the U.S. tariff offer. Beginning tomorrow in Washington, and continuing the remainder of this week, the Trade Policy Staff Committee (TPSC), chaired by USTR and containing representatives from all major departments and agencies with an interest in international trade policy issues, will conduct a series of public hearings to receive advice from the private sector on product-specific aspects of the U.S. offer.

The glass and ceramics industries will be well represented in these hearings. The TPSC has received written submissions on these sectors from both domestic interests as well as importing groups. The following submissions concerning glass and ceramic products will become part of the public record of the TPSC hearings:

- American Restaurant China Council
- Corning Glass Works
- Indiana Glass Company
- Newell Company
- Tile Council of America, Inc.
- PPG Industries, Inc.
- Libbey Glass, Inc.
- Kimble Glass, Inc.
- American Flint Glass Workers' Union
- Owens-Corning Fiberglass Corporation
- Durand International
- Russ Berrie & Company, Inc.
- Color Tile, Inc.
- Importers of Ceramic Tile from Italy, Spain and West Germany
- Ceramic Ware Importers from Continental Europe
- Associated British Ceramic Importers, Inc.

- Fabricas Orion, S.A.

We would be happy to receive the transcript from today's proceedings to add to our private sector advice.

Unlike previous rounds of multilateral trade negotiations, tariffs and non-tariff measures are not the central focus of the Uruguay Round, although we expect other trading partners to express strong interest in U.S. sectors where tariff levels are high. Along with the approximately 100 other countries that are participating in the negotiations, the United States has committed itself to achieving a target amount of tariff liberalization similar to that achieved in the Tokyo Round, the 1973-79 multilateral negotiations, by countries which used an across-the-board (or formula) approach to reducing tariffs.

We also committed, with other countries, to work collectively in these negotiations to achieve more uniform tariff rates and to reduce or eliminate tariff "peaks" as well as low duties. Along with our trading partners, we agreed to address situations of tariff escalation, where duties on processed products are consistently higher than on the raw or intermediate materials used in production.

While tariff reductions achieved in the Tokyo Round averaged about one-third, we have seen subsequently that enhanced market access too frequently was not fully achieved, because various non-tariff measures were imposed in cases where duties were lowered. The primary approach to non-tariff measure negotiations in the previous round was the development of multilateral "rule-making" codes adopted only by participants wishing to accede to their discipline. The codes dealing with market access include such subjects as Government Procurement, Technical Barriers to Trade (Standards), Import Licensing and Customs Valuation. This approach was supplemented by bilateral request-offer negotiations on specific non-tariff measures which were not multilateral in character.

Approximately 15 developing countries participated in the market access negotiations during the Tokyo Round. At that time, the degree of liberalization expected of developing countries was considerably less than that which industrialized countries were expected to achieve. Developing country participants in those negotiations generally offered a limited number of product-specific tariff reductions, along with some "bindings" on these rates and, in a few cases, agreed to eliminate non-tariff measures such as import licensing. A tariff "binding" locks in a specific tariff reduction, as it commits a country to offer trading partners compensation if the tariff rate subsequently is raised above the "bound" level.

While the United States found the above outcome acceptable in the Tokyo Round, given the level of development of the countries involved, and our interests in those markets at that time, the situation involving developing countries in the current negotiations has changed dramatically. The developing countries represent increasingly important export markets for the United

States, and we are seeking aggressively to achieve access for our products in their markets. This is particularly the case for the newly industrialized economies.

After careful consideration of the options available to the United States in the current market access negotiations, and taking into account the views expressed by the Industry Sector Advisory Committees (ISACs), U.S. negotiators determined that it would not be in the U.S. interest in this round to participate in a "formula" tariff negotiation again. Our tariffs in general are quite low -- about 3.5 percent on average -- although selected instances exist where tariffs are as high as 35 or 45 percent. Consequently, we determined that the United States should best proceed on the basis of a product-specific, integrated tariff and non-tariff measure negotiation, using a request/offer approach.

From the U.S. standpoint, negotiations with other trading partners will proceed on the basis of exchanges of product lists, first requesting tariff and non-tariff measure liberalization by other trading partners on products of specific interest to U.S. exporters. When a sufficient number of request lists of the United States have been received from our other trading partners to enable us to evaluate our potential tariff and non-tariff measure offer, we then will prepare our product-specific offer lists in response.

We believe that this approach will enable U.S. negotiators to achieve the maximum amount of enhanced market access abroad in return for selected, product-specific U.S. tariff and non-tariff measure concessions. At this point in time, all products are theoretically subject to negotiation, subject to certain statutory guidelines. As a practical matter, however, our offers to negotiate tariff reductions will focus on those products where our trading partners have tabled requests of the United States, and where it is clear that they are willing to make substantial concessions of interest to the United States in return. Each of our market access offers will be carefully evaluated in light of USITC advice, private sector and ISAC views, and the expected market access benefits to be gained for U.S. exporters as a result of our making a specific concession.

We are actively involved in compiling request lists for our major trading partners. In July, we tabled product-specific tariff and non-tariff requests of the European Community, Japan, Australia, New Zealand, Austria, Switzerland, Norway, Sweden, Finland, Iceland, Mexico, Korea, Hong Kong, and Uruguay. We presently are preparing request lists for presentation to Singapore, Thailand, Malaysia, Indonesia, the Philippines, Brazil, Argentina, Chile and Hungary in early November. We intend to table some requests of every trading partner participating in the negotiations before the end of the year.

Other countries' preparations are moving somewhat more slowly, but we are hopeful that in the next few months we will receive a number of request lists from them so that we can begin to formulate our offer. We expect the most intense period of the negotiations to occur during the spring, summer and fall of 1990, with the conclusion of the Uruguay Round negotiations as a whole to occur in November next year.

Let me turn now to Mexico and the requests on glass products pending before the TPSC Subcommittee on the Generalized System of Preferences (GSP). Before doing so, however, I should point out that we expect to conduct our Uruguay Round market access negotiations with Mexico in the context of the "framework" negotiations underway with that country. These negotiations are officially known as "Trade and Investment Facilitation Talks" (TIFT). I will chair the Tariff Work Group, dealing with industrial tariffs, within that exercise in my overall capacity as Uruguay Round tariff negotiator.

The United States can also provide certain developing countries with limited and temporary duty reductions through the Generalized System of Preferences (GSP). Administered by USTR, the GSP is intended to promote economic development through trade. The program provides duty-free entry to the United States on 4,100 tariff headings from 127 developing countries. The program began in 1976, and is currently set to expire in 1993. Major users of the program include Mexico, Brazil, Thailand and the Philippines.

Changes in the products and countries covered by the program are made through the GSP annual review. In this review, which begins each June 1, any interested party may petition to add or remove products from the list of those eligible for duty-free treatment. The GSP law prohibits the addition of any "import sensitive' products to this list, and specifically mentions glass articles as one category which must receive especially careful examination in this regard. The President is charged with determining those products which are import sensitive.

A number of glass items were found not to be import sensitive in past reviews, and were added to the GSP program. These include some types of float glass, glass bottles and containers, and kitchenware items. A large number of glass items have been found to be import sensitive and were denied GSP treatment. No glass products have been added to GSP since 1983.

The GSP program includes safeguards which automatically remove duty-free treatment when imports ceilings are exceeded ($82 million for most products in 1988), and allows emergency petitions from U.S. industries which are being seriously harmed by GSP imports.

This year, we received 24 petition requests from Mexican firms to add glass items to the GSP. We rejected 15 of these requests, largely due the known import sensitivity of the products. We have accepted nine petitions for review concerning seven tariff lines. In these cases, we felt that the question of import sensitivity could not be resolved without further examination.

Five of these products are non-wired float glass. Some products in these categories have never been subject to a review; several have been reviewed, most recently in 1983. Since that review, consumption of float glass has increased 35 percent, and

U.S. capacity utilization has increased from 71 percent to 89 percent in 1987. One accepted petition requests a determination that a glass product already receiving GSP duty-free treatment (lead globes and shades) is not manufactured in the United States. The seventh petition concerns glass bubble bowls. The sensitivity of this item has not been reviewed since 1982. Imports from Mexico under this tariff heading were $1.7 million for the first 6 months of 1989.

It is important to note that the decision to accept a petition for review is made without prejudice to the final outcome, but marks the beginning of a thorough investigation. The process includes public hearings, which were held in September. Representatives of the U.S. glass industry testified, including Libbey, Anchor Hocking, Indiana Glass and Mid-Atlantic of West Virginia. We have also received numerous comments from other firms, and will be accepting additional written comments until November 13. Copies of all comments may be obtained without charge by calling the USTR reading room at (202) 395-6971. We have also requested advice from the U.S. International Trade Commission on the probable economic effects of providing these glass items with GSP duty-free treatment. The President will announce his decision on these petitions on or about April 3, 1990.

We believe such a review is the most appropriate means for determining the import sensitivity of these products within the context of the GSP program. We have heard from many glass producers and their employees and are pleased to be here today to learn about your concerns. We certainly will take the views expressed here today into account as we consider the disposition of the glass petitions. You can be assured that we will not provide GSP benefits to any glass product that we determine to be import sensitive.

Thank you for your attention. I will be pleased to answer questions.

Senator **Rockefeller**. Thank you, Ms. Coyle, very much.

I will question you generally and then I will go to Mr. Dunn. How do you define "import sensitive"? What are the criteria you use?

Ms. **Coyle**. It in fact is not defined in the statute or precisely defined in our regulations. But we do look at a range of factors. We look at the status of the U.S. industry in general. We would look at a number of criteria, for example, level of capacity utilization, level of domestic shipments, trends in apparent U.S. consumption in that industry.

We would also look at how competitive the developing country is already despite the tariff, or if the tariff seems to represent a particular impediment to entering the United States market.

We would look at what the employment trends in the industry have been and also examine what the import levels, both from developing countries eligible for the GSP and other countries which are not going to receive GSP treatment, have been.

So that we have a snapshot, if you will, of the status of the domestic industry versus the international environment.

Senator **Rockefeller**. And when you are looking at employment trends, is that just for industries in this country?

Ms. **Coyle**. We would look primarily at employment trends in the domestic market. But we also are charged under the GSP statute to examine what economic benefit adding a particular product to GSP would be for the developing country, how many jobs would be created in that country.

Senator **Rockefeller**. All right, Ms. Coyle, thank you.

Mr. Dunn, why do you not go ahead and I will question both of you.

STATEMENT OF ALAN M. DUNN, DEPUTY ASSISTANT SECRETARY FOR BASIC INDUSTRIES, INTERNATIONAL TRADE ADMINISTRATION, DEPARTMENT OF COMMERCE

Mr. **Dunn**. Thank you. I am pleased to have this opportunity to discuss the competitiveness of the household glassware and commercial chinaware industries. We all recognize that these industries are important to the state of West Virginia and to many of its communities.

The household glassware and commercial chinaware industries are highly segmented. Competitive factors are different for the different segments of these industries. Generally speaking, high-valued segments, such as lead crystal glassware, compete on the basis of quality and design features and less on price.

The lower and middle segments of the hand-made glassware market are more price sensitive and therefore more sensitive to imports from low-wage countries in Eastern Europe and the Far East. By contrast, automated machine-made glassware is less labor-intensive and U.S. producers face relatively little import competition.

In both industries, the cost of energy is an important competitive factor. The cost advantage lies with those countries with abundant, inexpensive energy or with industries that have implemented conservation measures.

Let me discuss household glassware more specifically. We understand the household glassware industry to include glass tableware, kitchenware including tumblers, stemware, ceramic and heat-resistant glass, smokers' articles such as ash trays, and ornamental, decorative, and novelty glassware. The industry is highly segmented between machine-made and hand-made glassware producers.

There are approximately 40 to 45 companies producing glassware, down an estimated 20 to 25 percent from the early eighties. 25 produce machine-made glassware and another 25 produce hand-made glassware, with some producing both types.

Machine-made glassware accounts for well over 90 percent of the total household glassware production. Although the manufacturing of these products occurs nationwide, many companies are concentrated in the states of West Virginia, Ohio, and Pennsylvania, where glassware plants were historically located near raw material sources.

A few large firms dominate the high-volume machine-made portion of the industry. Due to automation, this segment is relatively competitive with other world suppliers in terms of production cost factors.

In contrast, companies producing hand-made glassware are much smaller and require more skilled labor. Labor is a key element in their cost of production.

U.S. tariffs for household glassware range from 6 to 38 percent. The highest tariffs of 30 to 38 percent cover much of the lower priced machine-made glass categories, while tariffs of 6 to 20 percent cover the categories under which much of the hand-made glass enters. These tariffs are substantially higher than the 4.2 percent average U.S. tariff for all imported goods.

Senator ROCKEFELLER. You mean by that all imported goods?

Mr. DUNN. That is correct.

In contrast to U.S. production, which is mostly machine-made soda lime glassware, nearly 54 percent of U.S. imports are lead crystal glassware. Lead crystal is often used to make decorated hand-made glassware since it is softer and easier to cut than soda lime glass.

Apparent U.S. consumption of household glassware rose at an average annual rate of four percent during the 1983 to 1987 period to $1.7 billion, with imports representing 26 percent of domestic consumption in 1987.

U.S. imports of household glassware during the 1983 to 1987 period rose by an average annual rate of nine percent, to $444.6 million. The European Community was the largest supplying block of countries, accounting for 61 percent or $272.4 million of total U.S. imports in 1987.

Within the Community, France has been the leading import source throughout the period, accounting for 25 percent or $109.6 million of U.S. imports. West Germany and Ireland accounted for 15 percent or $64.9 million and 9 percent or 41.2 million, respectively.

Imports from these countries are expected to continue to rise, since most of these imports are of lead crystal, which is not manufactured in large volumes in the United States. Suppliers of lower valued ware, such as Taiwan and Yugoslavia, should also experience increased exports to the United States.

Highly diverse glass product categories are generally distributed through different marketing channels to target specific types of consumers. At the upper end of the market, competitiveness in household glassware is generally determined by product design, quality, and marketing, and to a lesser extent by price and underlying production cost differentials.

Price is far more important in the more highly automated machine-made glassware segment, where the U.S. industry should be more competitive with other world suppliers in terms of production cost factors.

Few foreign producers have been able to overcome the high U.S. tariffs on machine-made glassware in order to compete in the U.S. market, since the selling price is a primary marketing factor at the low end.

By contrast, tariffs and selling price are less significant in the hand-made glassware sector, while labor costs are a more significant share of product cost. The domestic industry is at a disadvantage in competing against Eastern European countries due to its higher labor costs, which represent in excess of 50 percent of the total production costs.

Western European producers, with labor costs comparable to the United States, have emphasized those non-price factors in which they could compete, namely design and quality. They have not been able to substantially penetrate the low end of the market with these factors, since price is more important in that market segment.

Preliminary analysis indicates that the domestic machine-made glassware producers are more competitive with foreign suppliers than hand-made glass producers are, due to labor costs. Thus the hand-made glass producers would be more at risk if tariffs were lowered.

Senator ROCKEFELLER. Mr. Dunn, you are on page 5 of a ten-page statement.

Mr. DUNN. That is correct.

Senator ROCKEFELLER. I want you to try to summarize.

Mr. DUNN. I would be happy to.

Let me just briefly say something about the commercial chinaware specifically. Commercial chinaware accounts for an estimated 85 percent of domestic chinaware production, the remainder being for household use. There are now five major producers of commercial chinaware, compared to six in the early 1980's.

These five produce about 90 percent of the commercial chinaware produced domestically, with another five or six companies producing the remainder. Domestic shipments of commercial chinaware were about $215 million in 1987, compared to $150 million in 1982.

The import to shipments ratio increased from four percent to eleven percent between 1982 and 1987. U.S. tariffs for commercial chinaware and earthenware are 35 percent ad valorem. These tariffs are substantially higher than the rates for household chinaware and earthenware, which range from 1.4 percent to 26 percent.

China and Japan, along with Hong Kong, Korea, and Taiwan, dominate the inexpensive low end of the market and are increasingly capturing the larger segment of the middle of the market. Low-priced imports of chinaware are also being supplied by Mexico, Thailand, Poland, and Hungary. These low-cost producers are able to overcome the 35 percent tariff and compete on price in the domestic market.

Senator ROCKEFELLER. And how are they able to do that?

Mr. DUNN. I beg your pardon, Mr. Chairman?

Senator ROCKEFELLER. How are they able to overcome that?

Mr. DUNN. The difference in their cost of production and ours exceeds the level of the 35 percent tariff. It is principally labor.

Senator ROCKEFELLER. Yes.

Mr. DUNN. Imports from Japan are primarily either chinaware for the airlines or unfinished china and earthenware blanks sold to U.S. decorators. Relatively little finished Japanese commercial chinaware is sold to users other than the airlines.

The recent trend by better hotels and restaurants to use undecorated chinaware is adversely affecting the domestic industry, since it creates a commodity market in which chinaware produced by different manufacturers is readily substitutable. Price becomes the major marketing factor.

Let me turn to some of the assistance that the U.S. Department of Commerce has been rendering. The U.S. Department of Commerce has a program to assist firms affected by imports to adjust to import competition. Since 1975 Commerce has certified 15 household glassware and six dinnerware firms as eligible for assistance under the trade adjustment assistance program.

Senator ROCKEFELLER. Now, does that occur after there have been layoffs?

Mr. DUNN. No, a firm need not have layoffs. They merely need to prove that they are impacted by imports.

Senator ROCKEFELLER. And then what does your trade adjustment assistance program do for them?

Mr. DUNN. It works with them to provide both money and retraining and management practice analysis.

Senator ROCKEFELLER. Retraining of workers still on the job?

Mr. DUNN. That is correct.

Currently one firm in the hand-blown glassware industry located here in West Virginia is receiving over $50,000 in technical assistance to adjust to import competition. Another company, in Pennsylvania, producing chinaware and earthenware is benefiting from a $100,000 Commerce-assisted recovery program.

Like the United States Trade Representative, the Department of Commerce stands ready to continue to contribute to all these efforts.

We would be glad to entertain any questions at this time.

[The balance of the statement follows:]

STATEMENT OF ALAN M. DUNN, DEPUTY ASSISTANT SECRETARY FOR BASIC INDUSTRIES, INTERNATIONAL TRADE ADMINISTATION, DEPARTMENT OF COMMERCE

Domestic shipments of commercial chinaware were about $215 million in 1987 compared to $150 million in 1982. Commercial chinaware imports were $22.9 million in 1987, up from $6.6 million in 1982. The import to shipments ratio increased from

4 percent to 11 percent between 1982 and 1987. While the domestic industry produces relatively little commercial earthenware (semivitreous china), it does face competition from imported commercial earthenware. Imports of commercial earthenware totaled $11.8 million in 1987 and $4.9 million in 1982. Combining both import categories results in imports to shipment ratios of 8 and 16 percent for the years 1982 and 1987 respectively. Although unit figures for domestic chinaware shipments are unavailable from Census, import penetration is believed to be even greater on a unit basis since imports, especially earthenware, are generally lower priced.

U.S. tariffs for commercial chinaware and earthenware are 35 percent *ad valorum*. These tariffs are substantially higher than the rates for household chinaware and earthenware which range from 1.4 percent to 26 percent. Higher tariffs are a major reason why the import penetration is much lower for commercial chinaware than household chinaware.

Today the leading suppliers of commercial chinaware to the United States are Japan, the United Kingdom, and West Germany. These three countries accounted for 60 percent of imports by value in 1988. All of these countries have labor rates which are comparable to those in the United States. In fact low-wage, non-developed countries, including China, accounted for only 26 percent of imports by value.

The situation is reversed for imported commercial earthenware which is lower quality than chinaware and competes more on price. The leading suppliers in 1988 were South Korea, Japan and China. These and other developing countries accounted for 62 percent of imports.

China and Japan, along with Hong Kong, Korea, and Taiwan, dominate the inexpensive low end of the market and are increasingly capturing a larger segment of the middle of the market. Low-priced imports of chinaware are also being supplied by Mexico, Thailand, Poland, and Hungary. These low cost producers are able to overcome the 35 percent tariff and compete on price in the domestic market.

Imports from Japan are primarily either chinaware for the airlines or unfinished china and earthenware blanks sold to U.S. decorators. Relatively little finished Japanese commercial chinaware is sold to users other than the airlines.

The loss of market share at the low and middle price ranges has forced U.S. producers to compete in a smaller market at the high end. However, imports from Europe, which concentrate in the middle and high end compete head to head with U.S. producers in terms of price, quality, style, and reputation.

A recent trend by better hotels and restaurants to use undecorated chinaware is adversely affecting the domestic indusry since it creates a commodity market in which chinaware produced by different manufacturers is readily substitutable. Price becomes the major marketing factor. Today, undecorated chinaware, which predominates in the low end, has approximately 40 percent of the high end market but only 20 percent of the mid market.

The principal cost factors affecting ceramic tableware production are labor and energy. Payroll costs represent about 40 percent of the value of domestic shipments. Those countries with labor costs lower than those in the United States, such as South Korea and China, have a distinct production cost advantage in this area.

To offset this advantage, certain developed country industries, particularly that of Japan, have introduced new production technology, such as fact firing, dust pressing, and robotic decorating, into their manufacturing processes. These companies are also often the firms emphasizing marketing and sales techniques to enhance their position in the market. Other producers have implemented conservation measures and reduced energy consumption.

As previously stated, commercial chinaware imports have been growing rapidly in spite of a 35 percent tariff. It is expected that competitive pressures from imports would increase even more if tariffs were reduced.

DEPARTMENT OF COMMERCE ASSISTANCE

The U.S. Department of Commerce has a program to assist firms affected by imports to adjust to import competition. Since 1975, Commerce has certified 15 household glassware and 6 dinnerware firms as eligible for assistance under the Trade Adjustment Assistance Program. Currently, 1 firm in the hand-blown glassware industry, located here in your state of West Virginia is receiving over $50,000 in technical assistance to adjust to import competition. Another company, in Pennsylvania, producing chinaware and earthenware is benefiting from $100,000 Commerce-assisted recovery program.

The Department of Commerce stands ready to continue to contribute to all of these efforts. I will be glad to entertain any questions that you might have at this point.

Senator ROCKEFELLER. I thank you very much, Mr. Dunn.

Last year, during discussions on the 1988 trade bill, Senator Heinz and I took a look at the trade adjustment assistance program. We found that when people were laid off due to imports, if they wanted to receive training they could not get it from the federal government until they had depleted their unemployment compensation, which lasted for 26 weeks.

So in effect what was happening was that people were out of work and sitting around receiving unemployment compensation, but were unable to take advantage of that. We changed that in the 1988 Act.

The new law provides that as soon as a company closes or a worker that is laid off is certified for TAA, they could begin to receive training right away.

So I am pleased that for the 15 household glassware and six dinnerware firms receiving it now, they are still in operation. And that is good, because that is preparing them for the future.

But obviously, people who have been laid off are in a much more drastic situation. In fact, Senator Heinz and I included in that a small tax on all imports to create a pool of money to provide training for laid-off workers.

The Administration has not been willing to take advantage of what is in the law.

That is more of an editorial comment on my part that was triggered by your discussion of the trade adjustment assistance program.

I would be interested in your concept of what has been done generally in the glass industry to modernize, to do training, to improve their ability to compete.

Mr. DUNN. I think you covered it well in your initial statement. They certainly have modernized plants where they can afford it and as much as they can afford it. Where a plant was old and no longer efficient, they have closed down this capacity.

Those are painful adjustments, major commitments to their future. But they have been undertaking these.

With regard to retraining, I cannot speak to any of the specifics in this particular industry.

Senator ROCKEFELLER. Ms. Coyle, on page 7 you say: "As a practical matter, our offers to negotiate tariff reductions will focus on those products where our trading partners have tabled requests to the United States and where it is clear that they are willing to make substantial concessions of interest to the United States in return."

Could you expand on that?

Ms. COYLE. Certainly. I think it is important to understand the procedure that we are using now. Theoretically, every single product in our tariff schedule is up for negotiation.

But, as my statement elaborated, we will be looking very selectively at our tariff schedule when we get to the negotiating table. First of all, we will only respond to requests that come to us from other countries. Secondly, we are going to want to find out what they are willing to do for us in the negotiations, what concessions they are willing to give us, before we make a decision to give them a concession in return.

We think now, at the point where the United States has an average tariff of about 3.5 percent if you look across all products, and the fact that we made substantial reductions in tariffs during the last round of negotiations, the Tokyo Round, we are at the point where we need to be selective in our negotiations.

Our industries are coming to us and saying that they recognize there are a number of tariff and non-tariff barriers overseas that they would like to eliminate, and we are focusing in our negotiations both on tariffs and on non-tariff measures for that reason.

Senator **Rockefeller**. What would be an example in the glassware industry of non-tariff barriers?

Ms. **Coyle**. An example would be licensing, if the government only permits a certain amount of imports to come in based on a quota or a value limitation.

Another example might be a certain standard on the composition of the glaze or some coating used on the product.

Senator **Rockefeller**. Thank you.

Ms. **Coyle**. So that we are really trying to see how many concessions we can gather up from all of our trading partners before we respond specifically on reducing any of our own tariffs.

In that process, in the policy process in Washington, we will gather up all the responses that we receive from trading partners, consult with the industry sector advisory committees, the labor advisors, also look at it from our own experts at the Commerce Department, Labor Department, and speak with the relevant private sector companies and associations, before in fact we make a final decision on what we put down on the negotiating table ourselves.

Senator **Rockefeller**. I know that both of you are familiar with the International Trade Commission report issued this month on the economic effects of import restraints on certain manufacturing industries. According to the International Trade Commission analysis, in the case of vitreous china table and kitchen articles, which includes commercial chinaware, an elimination of import tariffs would have resulted in the loss of 600 jobs in 1988.

Similarly, the elimination of tariffs in the case of fine earthenware table and kitchen articles would have resulted in the loss of as many as 500 jobs in 1986 and 300 jobs in 1988.

Do your agencies agree with this analysis of the ITC?

Ms. **Coyle**. I must say that personally I have not seen that particular report. We do have the broader advice that the International Trade Commission has submitted to us for the Uruguay Round negotiations as a whole, so we have that analysis.

I would be interested in looking at this report more closely.

Senator **Rockefeller**. Well, I will give it to you, and I have marked the table.

Ms. **Coyle**. Thank you.

Mr. **Dunn**. Our glassware staffs have studied it and we agree with the methodologies that have been employed. We have not run the numbers ourselves. We certainly expect to see increased imports in the face of lower tariffs.

Senator ROCKEFELLER. And where you see import increases, job loss is fairly automatic, is it not?

Mr. DUNN. Where we do not see a growing market or where we see import increases that exceed the rate of growth of the market, yes.

Senator ROCKEFELLER. Are you familiar with this report?

Mr. DUNN. We have it in our office, yes.

Senator ROCKEFELLER. And you have——

Mr. DUNN. I have not had a chance to study it personally, but our glassware experts have.

Senator ROCKEFELLER. All right, good.

In the Uruguay Round going on now, a number of foreign countries are proposing changes in the antidumping code. Even if current tariff levels are retained, these industries need the option to file antidumping cases. I hope that we will not make changes at the Uruguay Round that will make it even more difficult for American companies to receive relief against unfairly traded imports.

This is the same point I made on Friday at a hearing on steel.

Could either of you or both of you comment on this point? In essence, what I am saying is, will GATT negotiations be allowed to override American trade law?

Ms. COYLE. If anything, Mr. Senator, we are trying to make the rest of the world approach dumping much the way we do, so that it becomes a much more transparent, open kind of process.

We have seen some other governments use arbitrary procedures so that the industry does not know from one day to the next whether they will be subject to a dumping order or have a countervailing duty imposed. So that we would like to have these procedures be more harmonized around the world. I think I will pass your concern along to our negotiators on this so that they are aware of your concerns. But my impression from talking with our negotiators is they are not interested in overturning U.S. domestic law.

Senator ROCKEFELLER. Mr. Dunn?

Mr. DUNN. Virtually every industry through the industry sector advisory committees have echoed those exact sentiments. They all call very strongly to maintain the discipline and the objectiveness of the AD and CVD laws. We are committed to that.

We are going to assist USTR through the GATT process in ensuring that.

Senator ROCKEFELLER. Good.

If current tariffs are maintained, what import trends do you see?

Mr. DUNN. Our analysis of the GSP petitions suggests that there would be no significant increase in imports from Mexico in particular if there are no adjustments to the tariffs. But we have not looked across the board as to what it would be if we keep those tariff levels.

Senator ROCKEFELLER. Europe is clearly getting its act together. EC 1992 is going to be 360 million people of a common cultural background, who for the most part speak each other's languages.

I think they are going to be right up there with the Japanese and larger than the Japanese. My own view is that they will be at least as tough and perhaps tougher in trade matters in general than the Japanese are, because we have been somewhat more aggressive with the Japanese, though not necessarily with great results.

But I just see Europe as getting extremely tough, and I would be interested in how you both see Europe with respect to glassware and where you see EC 1992 leading them in terms of their attitude towards glassware in general.

Ms. COYLE. I can say, Mr. Senator, that of course Ambassador Hills has been watching EC 1992 very closely since she has been in this job. I think her watchword all along has been that she does not believe we are about to see a "fortress Europe," but she wants to be very vigilant about any trends in that direction.

The one thing I can tell you about the negotiators from the EC—and this is not specific to glassware, but it might be indicative of their attitude toward market access—we have been debating in Geneva in the negotiations about what approach to use toward market access negotiations, and I have said that the United States is wedded to a request-offer approach.

The European Community, on the other hand, would like to use what is called a formula approach in tariff negotiations, which means that you take a mathematical formula, basically, and apply it against your tariffs and cut tariff rates by a proportionate amount.

They came up with a formula which was very artfully devised, I would suggest. It would do away with very high tariffs, do away with very low tariffs, but leave totally untouched the tariffs in the middle range, from about 10 to 15 percent, which is where the majority of their own tariffs are today.

Senator ROCKEFELLER. I will end with an awkward question. It was my observation on Clayton Yeutter that when he was named USTR he was a different person than at the end of his tenure.

In his first couple of years he had an instinct for free trade. And then he began to see the realities of what was going on and how the United States was having its clock cleaned. And he became, in my judgment at least, a very different person, particularly in his last year.

It would be my guess that Carla Hills will share this same evolution. I think people come in and they expect fairness and they think that if we are fair, other countries are going to be fair. That if we are an open market that it is just a matter of time for other countries to be that way.

And of course, it does not work that way. Other countries gladly accept our free trade and continue to do what they will do.

My own view is that over the years—and I think this falls on both Democratic and Republican Administrations—we have been rather naive in this country in terms of the way other countries trade. Other countries are very willing to target industries and to let them incubate and protect them during that process, and then when they have got the market share that they need, then the country will release them.

In Japan, of course, companies, are routinely selected this way. And then on their own, in the case of Japan, companies will simply diversify. I use the example of Kawasaki Steel, they got into the bookstore business, and they got into software.

I think it is fair to criticize America that we have not been very good at doing that, at looking down the road and then having the resources to diversify.

But there is a difference and that is, in Japan, they have these enormous groups of companies—the Sumitomo group, the Matsushita group—so that while one industry is declining other industries can pick up the slack, create jobs within that same group.

We do not have that, so that our glassware people are much more exposed.

That is not a question so much as a statement.

Do you want to make any comment on that?

Ms. COYLE. Only that we know we have a difficult year ahead of us. We are looking for a deadline for the Uruguay Round as a whole of November next year. From where I sit today, we have an awful lot to do in the next twelve months.

Senator ROCKEFELLER. I agree.

I really thank both of you for taking the time to come here. You are the major players in this and I am very pleased that you have come.

Mr. DUNN. Thank you, sir.

Senator ROCKEFELLER. Thank you very much.

Now, our second panel is: Mr. Joseph M. Wells III, Vice President, Homer Laughlin China Company, from Newell, West Virginia, accompanied by Irving Milts; Mr. Charles Peifer, Vice President and General Manager, Consumer Products Division, Corning Incorporated; and Mr. David Lyons, Plant Manager, Corning Incorporated, Martinsburg, West Virginia, accompanied by Tim Regan.

Gentlemen, I welcome you and I look forward to your testimony.

Joe, do you want to begin?

STATEMENT OF JOSEPH M. WELLS III, EXECUTIVE VICE PRESIDENT, GENERAL MANAGER, AND SECRETARY, HOMER LAUGHLIN CHINA COMPANY, NEWELL, WV, ACCOMPANIED BY IRVING MILLS, EXECUTIVE DIRECTOR, AMERICAN RESTAURANT CHINA COUNCIL

Mr. WELLS. Happy to. Good morning, Senator Rockefeller.

My name is Joseph M. Wells III. I am the Executive Vice President, General Manager, and Secretary of the Homer Laughlin China Company, which is located in Newell, West Virginia. I am proud to be the fourth generation of my family to operate this business.

Thank you for calling this hearing and for the opportunity to express my deep concern that any tariff reduction on commercial chinaware during the Uruguay Round negotiations would have a devastating impact on our company, our workers, our industry, and the West Virginia region.

I am appearing here today on behalf of the Homer Laughlin China Company and the other domestic commercial chinaware producers. I am accompanied by Irving Mils, Executive Director of the American Restaurant China Council, a trade association that represents over 90 percent of the U.S. production of commercial chinaware.

Our product, commercial chinaware, is produced for hotels, restaurants, and other commercial establishments. The commercial chinaware industry is vitally important to Newell, West Virginia, and the surrounding West Virginia and Ohio area, which is known as the Upper Ohio Valley.

For generations Homer Laughlin has been the most significant employer in Newell and in the Upper Ohio Valley. Together with the Hall China Company, located just across the Ohio River in East Liverpool, Ohio, and the Sterling China Company next door in Wellsville, Ohio, we have been a key source of employment in this region for decades.

We employ approximately 1,300 people in a region where, as you know, there is relatively high unemployment. In addition to the jobs which we provide in our plants, we create indirect employment and generate additional wages of approximately $29 million.

Many of our employees, some of whom have been with us for 40 to 50 years——

Senator ROCKEFELLER. And that is classic, is it not?

Mr. WELLS. Yes, sir, very much so.

Senator ROCKEFELLER. That is like the steel business. It is generation to generation.

Mr. WELLS. Generation to generation to generation. There are many like me, who have been in that plant for four generations.

Senator ROCKEFELLER. But I do not know of an industry that would be more characteristic of that than the glass industry.

Excuse me for interrupting.

Mr. WELLS. Yes, sir.

These employees do not have the skills that transfer to the limited employment opportunities that may be available in this region. Their jobs depend upon the continued viability of our companies.

We fear that our plants and the livelihood of our workers will be threatened if a further tariff reduction is agreed to in the Uruguay Round. Our industry has already been injured by intense import competition from Europe, the PRC, Japan, and countries in the Far East.

Rather than file import relief cases in response to this competitive threat, we have embarked on a modernization program which would not only enable us to survive, but would enhance our competitiveness in the long term.

We believe that if we have the time and opportunity to implement this program, it would yield the most significant improvements in the industry's processes and competitive cost position since the 1920's.

Let me take a moment now to cite a few statistics which demonstrate the extremely harmful effect of the last tariff reduction. Following the 27 percent tariff reduction agreed to in the Tokyo Round of GATT negotiations in 1979, imports surged into the United States, rising from less than 600,000 dozens in 1979 to nearly 4 million dozens in 1988.

Current import figures for the first six months of 1989 indicate that the volume of imports is continuing to increase and could well exceed 4.5 million dozens by the end of the year.

Import penetration increased from 6.8 percent to 38.3 percent from 1979 to 1988. The number of importing countries has also increased, from six to 20.

Senator ROCKEFELLER. That is over a 500 percent increase, is it not?

Mr. WELLS. It was 569 percent, Senator. That scares the dickens out of me.

Obviously—may I go on?

Senator ROCKEFELLER. Of course. I may interrupt from time to time.

Mr. WELLS. Obviously, this surge in imports and import share has been at the expense of the U.S. industry. While imports increased by 569 percent, market demand increased by 19 percent in this period.

U.S. producers' market share dropped by 35 percentage points and sales volume decreased absolutely by 25 percent. As a result, the industry's profits have dropped by 32 percent in the last few years.

The human cost has been borne by the workers. At Homer Laughlin our work force has been drastically reduced from almost 1,300 in 1979, before the tariff reductions, to our current level of 800 employees.

We have asked for and received our workers' cooperation in our efforts to compete with the flood of imports. We are committed to do all we can to reward these workers.

Senator ROCKEFELLER. Joe, do you attribute that to the tariff reductions from the last GATT/round?

Mr. WELLS. It certainly had an awful lot to do with it, yes, sir. It may not be the entire reason. We have had great cooperation from our union in giving us the ability to combine jobs and to try and work through this thing. So we have lost some jobs in that way.

But certainly a lot of it is due directly to the tariff reduction.

Senator ROCKEFELLER. Thank you.

Mr. WELLS. But we are facing a formidable competitive problem. The commercial chinaware industry is pressured by imports across the spectrum of the market. Our industry faces intense competition at the high end of the market from Western Europe, which we feel will only worsen as a result of the EC 1992 market integration program.

Imports from the PRC, Japan, and other countries in the Far East, such as Korea, Hong Kong, and Taiwan, now dominate the low end. A new development is extremely low cost imports from Thailand, Mexico, and Eastern Europe.

Senator ROCKEFELLER. Joe, may I interrupt you again. I apologize to you.

Mr. WELLS. It is fine, sir.

Senator ROCKEFELLER. But as we go along these points arise.

As far as EC92 goes, can you explain to me your understanding of how they are going to integrate?

Mr. WELLS. Yes.

Senator ROCKEFELLER. In other words, they are bringing their policies into harmony?

Mr. WELLS. Into focus, yes. They are, as I understand it, dropping all barriers.

Senator ROCKEFELLER. Between each other.

Mr. WELLS. Yes, to each other. That is what I meant.

And it would seem to me that, at least from the chinaware perspective, the companies in Europe are going to be looking for other places to sell their products. And where are they going to go? They are going to come here, and it is going to be certainly more competition for us.

Senator ROCKEFELLER. Please go ahead, Joe.

Mr. WELLS. Because the cost of acquisition for importers of chinaware from these countries is so low, they have been able to take away sales while making an exorbitant profit. I can tell you from personal experience that I have faced vicious price competition from importers of chinaware from the PRC, where as you know costs are extremely low.

These importers have completely undercut us. The result is that imports from the PRC have increased 33-fold since 1979 and will exceed 1,400,000 dozens this year.

Personally, I have no doubt that today our future and the economy and wellbeing of many workers in this region depends upon whether the Bush Administration maintains the current tariff on imports of commercial chinaware. If the tariff is lowered, we will be forced to reduce domestic production and become importers ourselves or to move our production offshore, where labor is cheaper.

Senator ROCKEFELLER. And that is a point, is it not, that people do not understand, is that when you get something like that and you have it, there is a tariff reduction, and your profits are already down by 39 percent minimum——

Mr. WELLS. Our profits are minimal, Senator.

Senator ROCKEFELLER. Yes, they are down by 39 percent.

That is what happens. That is the reason that people are forced to move offshore.

Mr. WELLS. That is correct.

Senator ROCKEFELLER. I know in the textile industry in China their average hourly wage for their workers is 25 cents. I do not know what it is in glassware.

Mr. WELLS. It is insignificant, insignificant.

Senator ROCKEFELLER. Yes. When people complain about companies moving offshore, it is because of reasons like low wages. And we as a government have the power to prevent that from happening.

Mr. WELLS. That is correct.

Mr. MILLS. Senator, may I interject?

Senator ROCKEFELLER. Yes.

Mr. MILLS. Because I think you are on a very important point. The other thing that I think must be understood, and that is that, of the costs of production, roughly 60 to 65 percent is labor cost. So when you are comparing 16 cents an hour versus what Joe has to pay, it is a tough ballgame.

Senator ROCKEFELLER. Yes. Excuse me, Joe. I will try to contain myself here.

Mr. WELLS. Do not.

These are unpalatable choices for many of us who have spent the better part of our lives in the commercial chinaware industry.

Some, like me, have families who have produced chinaware for generations. Our ties to this region are strong.

Homer Laughlin has already resisted takeover efforts from corporations who do not share our interest in the people of this region or our commitment to continue to operate there. We have provided jobs and been concerned with the continued vitality of our region for too long to turn our back on our neighbors. We take pride in the fact that commercial chinaware was created in America for the hotel, restaurant, and institutional market.

We do not intend to become another unfortunate statistic in America's eroding capital base. We have taken decisive steps to implement a massive factory modernization program to stem the erosion of our market share in the short term and to enhance our competitive position over the long term.

I would like to underscore for you, Senator, that the depth of our commitment to this effort is reflected in the substantial expenditures the industry has made last year and which we have projected for future years. I would be happy to provide you with information on the specific items and programs and amounts we at Homer Laughlin have spent and plan to spend.

As I mentioned earlier, if competitive conditions allow us the opportunity to complete our modernization and competitiveness programs, we will dramatically alter our production processes, lower our costs, and be in a stronger competitive position in the long term.

We are also implementing a concentrated marketing effort, computer software for improved production control, more creative and computer-aided design, and labor contracts substituting profit-sharing for wage increases and calling for more participative management techniques.

But we simply cannot afford these critical investments if the market is further destabilized by a lowering of the tariff. At stake are the jobs of employees who for generations have depended upon our industry to provide employment and have few alternatives.

We know from the fact that you have given us this opportunity to appear before you today that you also have their interests at heart.

Mr. Mills and I would be happy to answer any questions you might have.

[The statement follows:]

WRITTEN STATEMENT OF JOSEPH M. WELLS III
VICE PRESIDENT, HOMER LAUGHLIN CHINA COMPANY
NEWELL, WEST VIRGINIA

Good morning, Senator Rockefeller. My name is Joseph M. Wells III. I am the Executive Vice President, General Manager, and Secretary of the Homer Laughlin China Company, which is located in Newell, West Virginia. I am proud to be the fourth generation of my family to operate this business. Thank you for calling this hearing and for the opportunity to express my deep concern that any tariff reduction on commercial chinaware during the Uruguay Round negotiations would have a devastating impact on our company, our workers, our industry, and the West Virginia region where my plant is located. I am appearing here today on behalf of Homer Laughlin and the other domestic commercial chinaware producers. I am accompanied by Irving Mills, Executive Director of the American Restaurant China Council, a trade association that represents over 90 percent of U.S. production of commercial chinaware.

The commercial chinaware industry is vitally important to Newell, West Virginia and to the surrounding area in West Virginia and Ohio which is known as the Upper Ohio Valley. I am proud that Homer Laughlin has been producing chinaware in Newell since its founding in 1871. For generations, we have been the most significant employer in Newell and in the Upper Ohio Valley. This area is also home to other commercial chinaware producers. The Hall China Company is located just across the Ohio River in

East Liverpool, Ohio and the Sterling China Company is next door, in Wellsville, Ohio. Together, we have been a key source of employment in this region for decades. We employ approximately 1300 people, in a region where, as you know, there is relatively high unemployment.

In addition to the jobs which we provide in our plants, we create indirect employment in related supplier industries, in transportation, and in wholesale trade. An independent economic consultant has estimated that this indirect employment generates additional annual wages of approximately $29 million. As you can see, the commercial chinaware industry is extremely important to this region in West Virginia.

We fear that our plants and the livelihood of our workers will be threatened if a tariff reduction is agreed to in the Uruguay Round. Many of our employees, some of whom have been with us for 40 to 50 years, have been in chinaware plants all their working lives. They are semi-skilled workers, whose skills do not transfer to the limited potential employment opportunities that may be available in this region. Their jobs depend on the continued viability of our companies.

Our product, commercial chinaware, is produced for hotels, restaurants, and other commercial establishments and is classified under the Harmonized Tariff Schedule item numbers 6911.10.10 and 6912.00.20. The commercial chinaware industry is, and always has been, a separate industry in the United States from household chinaware. Unlike household chinaware producers, commercial chinaware producers have never filed cases seeking import restrictions. While we have been injured by intense import competition from Europe, the PRC, Japan, and countries in the Far East, we have instead embarked on a modernization program which -- if implemented -- would not only enable us to survive but would enhance our competitiveness in the long term.

A tariff reduction would have a devastating impact on our industry at this critical time. It would prevent us from making the extraordinary investments required for this modernization and would jeopardize our survival, threatening the health of the economy and the job market in our West Virginia region.

To provide you with supporting information, I am submitting an econometric analysis conducted by Economic Consulting Services Inc. of the projected impact of a tariff reduction. This information demonstrates the extremely harmful effects a further tariff reduction would have on our industry's performance and on our efforts to fund the modernization program that is so critical to our survival.

The effects of the 27 percent tariff reduction agreed to in the Tokyo Round of GATT negotiations in 1979 are perhaps the best evidence of the likely effect on the industry of a further reduction in the Uruguay Round. Let me cite a few statistics which demonstrate the impact of the Tokyo Round reduction. Imports surged into the United States, rising from less than 600,000 dozens in 1979 to nearly 4 million dozens in 1988. Current import figures for the first six months of 1989 indicate that the volume of imports is continuing to increase and could well exceed 4.5 million dozens by the end of the year. Import penetration increased from 6.8 percent to 38.3 percent from 1979 to 1988. Imports from Japan and the PRC are each over one million dozens, giving them 21 percent of the U.S. market. The number of importing countries has also increased from 6 to 20 in this period.

The explosion of imports from the PRC shows the effects of a tariff reduction on imports. In 1979, when the PRC was subject to a column 2 rate of duty, imports were only 32,000 dozens. By 1988, they had increased 33-fold to 1,090,000 dozens and, according to 1989 import statistics, will exceed 1,400,000 dozens this year.

Obviously, this surge in imports and import share has been at the expense of the U.S. industry. While imports increased by 569 percent, market demand increased by only 19 percent in this period between 1979 and 1988. U.S. producers' market share dropped by 35 percentage points and sales volume decreased absolutely by 25 percent during this same period. This major loss in volume and the adverse effect on prices caused by these imports have led to a 32 percent drop in the industry's net operating profits in the last few years.

Finally, the human cost has been borne by the workers whose numbers have declined throughout the industry. At Homer Laughlin, our work force has been drastically reduced from almost 1300 in 1979 to our current level of 800 employees. This pattern is repeated throughout the industry which employs far fewer people today than in 1979, before the tariff reduction. We have asked for and received our workers' cooperation in our effort to compete with the flood of imports. They have agreed to forego wage increases in the last two contract negotiations in 1984 and 1987. This means that our workers have not had a wage increase in over five years. They have also agreed to job combinations, transcending traditional union job boundaries for the sake of the increased efficiency of our operations. We have asked our workers to make sacrifices and we are committed to do all we can to reward them. Instituting a profit-sharing plan in the last contract round was a first step.

But we are facing a formidable, competitive problem. The commercial chinaware industry is pressured by imports across the spectrum of the market. The largest segment of the market is for inexpensive, undecorated, white china at the low end of the market. Often referred to as commodity china, it is sold strictly on the basis of price and is, therefore, extremely price sensitive. Importers of products from low-wage countries have taken away sales and share by undercutting U.S. producer prices. As a result, imports from the PRC, Japan, and other countries in the Far East, such as Korea, Hong Kong, and Taiwan, now dominate the low end. A new development is extremely low cost imports from Thailand, Mexico and Eastern Europe.

Because the cost of acquisition for importers of chinaware from these countries is so low, they have been able to take away sales while making an exorbitant profit. This is due to the fact that these low wage producers enjoy a substantial cost advantage over our companies, even though our factory wages are much lower than in many other American industries. I can tell you from personal experience, I have faced vicious price competition from importers of chinaware from the PRC where cost is extremely low. These importers have the potential and have exercised that potential to completely undercut us.

Many of the producers of low end china are also free of the expense of compliance with government environmental and safety standards. We are greatly concerned about the public health threat for American consumers created by high lead levels found by the FDA in some of these imported products. This problem has damaged the reputation of domestic producers who have a commendable track record of complying with FDA standards. We are currently recommending that the Customs Service and the FDA step up surveillance of imports which have been implicated in numerous incidents of FDA violations.

The loss of market opportunities in the low and middle end of the market has forced us to compete for a smaller market at the high end. Yet our industry has been faced with intensified competition at the high end of the market from Europe. We fear that this situation will only worsen as a result of the EC 1992 market integration program. Faced with a flood of exports from less developed EC countries into their own markets, our largest competitors in the U.K. and West Germany will increasingly export their products to the U.S. market. Also, certain EC countries have quotas on Japanese and Eastern European chinaware to protect their domestic producers. Should these quotas be extended on an EC-wide basis, we can expect commercial chinaware to be diverted to the U.S. as well. This is not a speculative comment, as the U.S. Government itself has raised a concern about possible EC-wide quotas on ceramicware products as a result of 1992.

These concerns and the adverse effects of the last tariff reduction make the issue of a further reduction in the Uruguay Round one of critical importance to the commercial chinaware industry. Personally, I have no doubt that today our future and the economy and well-being of many workers in this region depend on whether the Bush Administration maintains the current tariff on imports of commercial chinaware. I believe that a further reduction would be a fatal blow, jeopardizing the existence of my company and the companies in the region and the jobs of our many employees and the future of our workers.

We are not the first domestic industry to find our existence threatened by imports or to face such questions as whether to reduce domestic production and become importers ourselves or to move our production offshore where labor is cheaper. These are unpalatable choices for many of us who have spent the better part of our lives in the commercial chinaware industry; some, like me, have families who have produced chinaware for generations. Our ties to this region are strong. I know that Homer Laughlin has resisted take-over efforts by corporations who do not share our interest in the people of this region or our commitment to continue operating here. We have provided jobs and been concerned with the continued vitality of our region for too long to turn our backs on our neighbors. We take pride in the fact that commercial chinaware was created in America for the hotel, restaurant, and institutional market.

We do not intend to become another unfortunate statistic in America's eroding manufacturing base. We have taken decisive steps to implement a massive modernization program to stem the erosion of our market share in the short term and to enhance our competitive position over the long term. I would like to underscore for you, Senator, the depth of our commitment to this effort. This is reflected in the substantial expenditures the industry made last year and which we have projected for future years. Our capital expenditures for 1988 alone were nearly triple those in 1987. The amount that we spent in 1988 and that is projected is extraordinary for such a small industry. I would be happy to provide you with specific information on the amounts we at Homer Laughlin have spent and plan to spend. We are optimistic that if we have the opportunity to complete these investments over the next decade, this program will yield the most significant improvements in the industry's production and competitive cost position since the 1920's.

Implementing the major technological advances in factory modernization is part of the industry's overall strategy to stem import penetration and regain market share. They will be supplemented by a concentrated marketing effort, computer software for improved production control, more creative and computer-aided design, and labor contracts substituting profit sharing for wage increases and calling for more participative management techniques. It is, therefore, imperative that profitability not be further impaired by a reduction in tariffs when we are facing these substantial capital expenditures.

But, we simply cannot withstand a further tariff reduction. A further reduction of the tariff at this time would enable importers to cut prices further and increase their market share. The already reduced profit margins of U.S. producers like Homer Laughlin would vanish, jeopardizing our modernization program and, thus, threatening our very survival. At stake are the jobs of employees who have, for generations, depended on our industry to provide employment and have few satisfactory alternatives. We know from the fact that you have given us this opportunity to appear before you today that you have their interests at heart as well. Mr. Mills and I would be happy to answer any questions you might have.

Senator ROCKEFELLER. Thank you, Joe, very much. And your feelings are very clear, not only in your statement, but in the voice in which you gave that statement.

Mr. WELLS. My roots, Senator, go very deep in that area. I am very proud to be the fourth generation in my family to run that company, and we intend to stay there and we intend to fight and we intend to maintain jobs.

But we need help, too.

Senator ROCKEFELLER. You are the dominant employer in the northern part of that county, are you not?

Mr. WELLS. Yes, sir. Yes, sir.

Senator ROCKEFELLER. If you go under or you lose more jobs, is there any other jobs for those people?

Mr. WELLS. There is no place else.

Senator ROCKEFELLER. And yet 100 or 75 years ago, people were making pottery and glass all through that northern panhandle. How many people were working?

Mr. WELLS. Oh, 15,000, maybe 20,000 people.

Senator ROCKEFELLER. Just in the northern panhandle?

Mr. WELLS. Yes.

Senator ROCKEFELLER. Would you not say?

Mr. WELLS. Yes, sir.

Senator ROCKEFELLER. It is incredible. If you go into Wheeling and you go into some of those Victorian houses that were built during the nineteenth century, you can see the glass and wrought iron and tiles of people who came from other countries, settled in the northern panhandle, brought their skills with them, and started this multi-generational work.

Mr. Peifer, we would be delighted to hear from you, sir.

Mr. Peifer. Thank you, Senator. Mr. Lyons will start us off, if that is agreeable. He is the resident plant manager at Martinsburg. We thought it might be appropriate for Mr. Lyons to lead off.

Senator Rockefeller. I will not argue with that.

STATEMENT OF DAVID G. LYONS, PLANT MANAGER, MARTINSBURG, WV, CORNING INC., ACCOMPANIED BY CHARLES L. PEIFER, VICE PRESIDENT AND GENERAL MANAGER, CONSUMER PRODUCTS DIVISION; AND TIM REGAN, DIRECTOR OF PUBLIC POLICY

Mr. Lyons. Good morning, Mr. Chairman. My name is Dave Lyons. I am the Plant Manager of Corning's manufacturing facility here in Martinsburg, West Virginia, and by the way we have 750 employees here in Martinsburg.

On behalf of Corning and its employees, I want to thank you for organizing this hearing. You have always been a strong advocate in Congress for the Corning family in West Virginia and we appreciate that very much.

I have two expert witnesses with me here today whom you have met earlier.

Mr. Chairman, Corning is very concerned about the possibility that the Administration may cut duties on dinnerware, cookware, and other glassware during the Uruguay Round. Corning specifically and the glassware industry in general have been through a tremendous and painful adjustment throughout this last decade.

As a plant manager, I can speak with first-hand knowledge about the significant efforts that have been undertaken by Corning to reduce costs and increase quality in order to compete against imports.

Tariff concessions will just undermine our efforts to compete and transfer jobs from small towns like Martinsburg, where there are not many employment opportunities, to Mexico, France, and even Japan.

Now I would like to turn to my colleague, Charles Peifer, to discuss in more detail why tariff reductions being considered by the Administration would be so damaging.

Mr. Peifer. Thank you, Dave.

Mr. Chairman, before beginning I would like to bring your attention to the items in front of me and to my right. These products are samples of the items included in the 40 tariff categories outlined in our written testimony that we want excepted from tariff cuts.

We have here Visions rangetop cookware, manufactured here in Martinsburg. We have CorningWare America's favorite casserole line, manufactured also here, and the only place in the world, in Martinsburg.

We have a blown coffee bowl, a Pyrex beaker. We have Corelle tableware and commercial tableware, all manufactured in the United States.

We are opposed to tariff reductions on these items for two reasons. First, tariff cuts would have a serious negative probable economic effect on the industry, because it is highly import sensitive.

Second, tariff reductions would hurt Corning's consumer product and glassware businesses, which would have negative implication on Corning (the company's) ability to maintain its leadership in glass technology, a leadership which frankly is a national asset.

Before making any tariff concessions, the President is specifically required in the trade bill to consider the probable economic effect of such tariff concessions on the affected industries. Mr. Chairman, the probable economic effect of tariff concessions on the dinnerware, cookware, and glassware industry is going to be very negative, because the industry is in fact highly import sensitive, make no mistake about that, sir.

This is not just the industry's conclusion. It is not Corning's conclusion. It is not my conclusion. It is the U.S. International Trade Commission's conclusion as well, and the law requires that the President give heavy weight to the Commission's view, as you know.

Last month the Commission published a report, cited earlier this morning, to the Senate Finance Committee on the economic effects of significant U.S. import restraints in the manufacturing sector. The report is extremely interesting because it gives us considerable insight into what the Commission must have written in its confidential report to the President, required by law, on the probable economic effect of Uruguay Round tariff concessions.

Our first observation about the Commission's report is its product coverage. Of the 20 product areas selected for study by the Commission as meeting its criteria for having tariffs that are significant, three involve product groups of concern to Corning and the glassware industry.

The bottom line, the Commission found that tariff elimination on these products would be devastating to the industry, and we agree. According to the Commission, tariff eliminations would have cost the industry in 1988 alone hundreds, if not thousands, of jobs and millions of dollars in sales.

We certainly hope that the Administration will find this cost to be unacceptable and unacceptably high. We certainly at Corning do.

Senator ROCKEFELLER. Do you have any indications of their position?

Mr. PEIFER. As to whether or not?

Senator ROCKEFELLER. Yes.

Mr. PEIFER. One of the reasons we welcome this opportunity to talk to you, Senator, is our concern that they may be leaning in a way which may be not in the best interests of the glass industry in general and Corning specifically.

Senator ROCKEFELLER. Well, that is one reason why hearings can be helpful. It is a way to educate USTR and Commerce.

Mr. PEIFER. Absolutely, Senator. And we endorse this more than we can express. Here was a report commissioned, and all we ask is that it be read. And its conclusions we will allow its authors to stand and defend, but we believe the research impeccable.

Senator ROCKEFELLER. As you say, they are required to pay attention to that report in their decisionmaking process.

Mr. PEIFER. Absolutely, and we would hope that they abide by that.

Senator **Rockefeller**. Excuse me.

Mr. **Peifer**. In addition, we believe that the tariff concessions contemplated by the Administration would have a very negative impact on Corning's ability to maintain its technological prowess, of which we are so proud. Frankly, Corning has worked hard to earn its reputation for technology leadership, for high quality and innovation.

As cited in our written testimony, we have been recognized for our leadership by the Wall Street Journal, by Fortune, and by Business Week. We invest more in research and development as a percent of sales than any glass company in America, and we are proud of that and hope to continue it.

Products which revolutionize the way we live, like the glass bulb for the television set or optical fiber for the transmission of voice, of data, and video, are Corning inventions. Many of these inventions were made possible through research and development that was financed in large part by Corning's main line dinnerware business, by its cookware business, and by its glassware business.

Pyrex, for example, the Pyrex beaker was invented in 1915, 1915, and is still a major source of revenue for Corning. And I should add, Pyrex is what we make the covers of Visions® out of, so you get the sense of the integrated nature of this business.

The same is true for Pyroceram, invented in 1957 and manufactured here in Martinsburg, West Virginia, uniquely in the world, and Corelle, introduced in 1970. All were Corning inventions.

The dinnerware, cookware, and other glassware products potentially affected by tariff concessions during the Uruguay Round represent over one-quarter of Corning Incorporated's revenues, 25 percent of Corning's overall revenues.

If tariff reductions are made and our business suffers, Corning the company, Incorporated, will have a more difficult time staying on the technological edge and bringing better things to America.

Let me demonstrate this point by example. As I said, Corning invented optical fiber technology, an example of which is here to my left. And I should add that one of these, sir, does the job of 20 of these.

Senator **Rockefeller**. When was that invention?

Mr. **Peifer**. In 1970.

Senator **Rockefeller**. And that invention is in the process right now of changing the world of communications.

Mr. **Peifer**. Absolutely, and not fast enough as far as we are concerned. But we are positioned for it, sir.

It was invented in 1970 and, unfortunately, twelve years passed before the basic invention in 1970 until we got our first order in 1983. And I should add that just recently we were successful in defending a patent infringement case from a foreign competitor, after a great deal of work, I should add.

Senator **Rockefeller**. Was that in Japan?

Mr. **Peifer**. Yes.

Senator **Rockefeller**. Then you are a miracle worker. You beat the Japanese patent system?

Mr. **Peifer**. Ours were upheld.

Senator **Rockefeller**. That is absolutely amazing. I congratulate you. I would like to meet your lawyers.

Mr. **Peifer**. A lot of hard work by a lot of very talented and very dedicated people, to whom our future is quite important.

Senator **Rockefeller**. Yes.

Mr. **Peifer**. Corning's dinnerware, cookware, and glassware businesses helped support the research and development effort that brought optical fibers to the country. In essence, the basic glass products to my right made the revolutionary products to my left possible.

As is the case so many times with Corning with our research and development efforts, so many times a good idea is not brought to the market until the innovation is put together. And then you have a breakthrough invention which makes things better, and that is what we think Corning is all about.

I hope the Administration will consider this factor very seriously when it examines the possibility of tariff reductions on these products.

Mr. Chairman, Corning is in an intensely competitive struggle for market share among the worldwide glass companies. Reducing U.S. duties is not merely a diplomatic act between some impersonal governments. It is a pivotal determinant of the success of Corning in its international rivalry.

Our foreign competitors want access to the U.S. market, for no other reason than to take market share away from Corning and jobs away from Americans. The tariffs are an essential moderating factor in the way of such aggressive attacks by foreign companies.

As you well know, Vitro Crisa, which is not some small company somewhere south of the United States—rather, it is a company larger than Corning itself, which controls up to 70 percent of the Mexican market, so we are not talking about some small company hoping to have a chance to compete.

Vitro Crisa from Mexico has been pressing the U.S. government on three fronts: They want to wipe out the 30 percent duty which is hindering their ability, Crisa's ability, to undermine Corning's position in the glass and ceramic cookware market, particularly CorningWare.

Vitro Crisa has tried to get duty suspension bills passed in Congress. Vitro Cresa has filed GSP petitions for duty-free treatment.

And now it is working to achieve the elimination of these duties during the Uruguay Round. They will not give up.

Similarly, Durand, which is an $800 million U.S. American company, larger than the consumer sector which I am representing today. Durand in France is undertaking an effort to penetrate Corning's cookware market and its Visions® entry specifically.

Our information is that Durand plans this Sunday, if our information is correct, to introduce an amber-colored cookware at a trade show in New York this Sunday, next week. Clearly, the 26 percent duty on a Visions®-like glass ceramic cookware, which we invented again, is a significant obstacle for Monsieur Durand, who is a very significant and a very well-entrenched European competitor, who is making significant inroads here in the United States.

I was in Europe last week and I saw with my own eyes how significant an entry Monsieur Durand is, and he is a very patient and a very determined competitor in our industry.

In summary, Mr. Chairman, whether these foreign companies succeed in the U.S. market depends largely on what action the Administration takes in Geneva during the tariff negotiations. I think the question rightly is will our government work to help us or our foreign competitors succeed.

One final thought is, certain petitions suggest that foreign-manufactured goods do not compete with CorningWare or with Visions® or with a myriad of other products manufactured here in the U.S. And I have come across as an illustration, Senator, a flyer for a product which is sold on a door to door basis and out of trunks of cars by companies, by representatives of Creative Dinnerware Products in Highland Park, Illinois, who represents these made-in-Mexico, as you can see down here, products, which look unusually like CorningWare, here to my right.

Senator ROCKEFELLER. Looks exactly like CorningWare.

Mr. PEIFER. Right. And you will notice that they say "Dynamic new space age miracle," as opposed to what we coincidentally say is "Dynamic new space age material."

You will also note that they say: "Compare at a retail price of $89.95," which is what they say we would charge for a comparable set. They sell this "non-competitive" ware, Senator, for $19.95, and yet they hold that this is not competitive with our products.

I also hold for your inspection a product looking similarly like Pyrex Fireside product, and also could be misconstrued to be Visions® cookware, which would put consumers at risk in America because it does not have the same properties.

Senator ROCKEFELLER. And it is basically identical, is it not?

Mr. PEIFER. That is made out of a glass which does not have the properties of our Visions® cookware and is not thermally safe for rangetop.

Senator ROCKEFELLER. It looks the same.

Mr. PEIFER. But looks strikingly similar.

Here again, they suggest that this product comparably bought, presumably in Pyrex, would cost you $89.95. And again, they sell this "non-competitive" product out of trunks and backs of cars for $19.95.

So Senator, when they say they are not competitive, I wonder who they are talking about.

Thank you very much for this opportunity to appear before you today.

Senator ROCKEFELLER. Thank you very much, all of you.

I listen to your testimony and there are a lot of folks out there who would say to every country goes its own comparative advantage. That is the Adam Smith rule.

And America has always stood for free trade. And people might say, Joe or Charlie, you have got a product here, but it is being undersold by somebody in Mexico, and they say tough luck. You know, if you cannot get your prices down to $19.95, tough luck.

I would like to have you respond to that charge.

Mr. PEIFER. I think the key word, Senator, is "fair trade." We have a great deal of pride and utmost confidence in our product when we are competing on a level playing field, and when we invest the money to develop the product, when we bring it to marketplace, when we compete fairly in the U.S.

The notion of somebody coming in who is not constrained or who is not a good corporate citizen or concerned about pollution or about social security or about keeping workers safe and the costs associated with that, what we say is "tough luck" is not acceptable. That is not what this country is all about, sir.

Senator ROCKEFELLER. Others would come back, Joe, and they would say: Look, get government out of the lives of business. You know, that is the free enterprise ethic, if you cannot make it, the government is not meant to be there to help.

That is what a lot of people say, is it not?

Mr. WELLS. They certainly do, Senator, they certainly do. I think that we have got to go back and work hand to hand. Government has been helpful to the workers, to the people of West Virginia.

But in order for us to maintain the jobs that I hold near and dear to my heart, I think that we have got to go, as Mr. Peifer says, on a level playing field.

Senator ROCKEFELLER. What are some examples of modernization.

Mr. WELLS. Yes, sir.

Senator ROCKEFELLER. Can you give examples of what you have done in the last several years to modernize?

Mr. WELLS. You want me to go ahead?

Senator ROCKEFELLER. Yes.

Mr. WELLS. We have spent since 1986, I guess, almost $5 million in our plant to buy new equipment, buy fast-fire kilns, buy new glazing equipment, buy new decorating equipment, to change the flow of product, if you would, through our plant, so that we can be more efficient, we can service our customers better.

We have put in a computer software program to aid our production people in following merchandise to our plants.

Senator ROCKEFELLER. How does that work, Joe? How does that computer software work?

Mr. WELLS. Well, it is not working yet. But what it is supposed to do is tell me if you order a saucer, for instance, with a line around it, and we punch that in. It tells me what I have to do and how many days it is going to take me to get that saucer back to you and what processes that it will go through and the cost of making that saucer for you.

It gives us a wealth of information.

Senator ROCKEFELLER. Dave?

Mr. LYONS. Just a comment here. In Martinsburg in the last three to four years we have spent over $22 million upgrading all of our presses, upgrading the capacity and the capability of our tank, upgrading a number of our kilns, putting in a whole new press line, a whole new control system.

And as an aside on this level playing field, we have spent about $3.5 million on a new pollution device for the tank to comply with EPA regulations.

Senator ROCKEFELLER. Which is something Mexico does not have to worry about.

Mr. LYONS. It is some of this level playing field. You know, if they want to play here next door we would love to compete with them. We are sure we could very much.

But we have spent a large amount of money to try and make our products a lot more competitive in the marketplace.

Senator **Rockefeller**. What do you gentlemen think that the United States government has to do in order to keep you not just competitive, but keep you at least where you are in terms of employment and volume or improve your situation? What has to happen?

Mr. **Peifer**. Senator, I think one thing generically has to happen, and then another I think would follow naturally from that first. One is that there needs to be an understanding of the nature of the glass business. In talking to people who are not familiar with the glass business specifically, they do not understand that, unlike many industries in this country, where you invest one time and run a machine for ten or twenty years, the glass business conceptually is a bunch of ice cubes stacked around, called refractories, which build up the walls of the tank, and then you are literally melting sand.

This is a very generic description, but I think appropriate. And in order to melt that sand, you are shooting electricity through these refractories continuously. You cannot turn off a glass machine and walk away for the night, because if you do you have one big block of ice-like glass that has to be physically broken down.

It is a continuous process, and as a consequence you are literally melting your factory every hour, every minute, every second. So you cannot take a little bit out here or a little bit out there.

If you make a product and it is not good, you pay for it and you have melted your factory. It is not a one-time investment. It is a constant replenishment of your manufacturing infrastructure.

And when that refractory melts, it melts and now you are confronted with a multimillion dollar rebuilding decision. So understanding that continuous nature of the glass business and the need to optimize the capacity of that and to get product out all the time is a fundamental understanding that has been lacking from people that I have talked to who do not quite understand why this is such a big deal, why do you need that protection.

I think if they have that fundamental understanding, that will then lead them to the conclusion that our foreign competitors need no more advantages to try to compete with us than they have right now, that we are confronted with an industry of intense complexity.

It is a very integrated industry. It is not one where you can say, well, stop making Pyrex because somebody else can make it cheaper. Well, then what covers do I put on Visions or on CorningWare?

You cannot just sort of slow down. You have to turn off the lights and walk away.

Senator **Rockefeller**. Joe?

Mr. **Wells**. I think that Irv hit on my comment a little earlier when he talked about the labor intensity of our product. Still today, even with all the modernization that we have done, 65 percent of my cost is directly involved in labor.

When you are trying to compete with somebody who is working for a bowl of rice or 12 cents an hour, there is just no way we can compete.

I do not know. You had something you wanted to say, Irv?

Mr. Mills. Yes, I would like to. It is a great opportunity, Senator, you have offered us here, because if we had one word that we could pass on to USTR and our negotiators, that is: Do not trade us off. We are a small industry. We are not going to affect the balance of trade one way or the other if we dropped off the edge of the earth tomorrow morning.

However, in Newell, West Virginia, and other parts of this area we are extremely important. We are the livelihoods of an awful lot of people.

Too, when you negotiate you obviously are trading. We would not like to see our products, our industry, traded off to get entry into, say, Japan for some high-tech industry located in southern California.

All we want is this level playing field and the opportunity to do the things that we think we do very well.

Senator Rockefeller. Let me for the record ask you a question, Joe, for the record. If the United States government does not do what we want them to and workers were laid off in the northern panhandle would there be job opportunities for those people who had been there between 30, 40, and 50 years to get another job?

Mr. Wells. Absolutely not. There are no other jobs in that area, none. There is nobody else there that would pick up the slack.

A few years ago there were a couple of steel mills, that have closed down. We are it.

Senator Rockefeller. And that is basic is it not?

Mr. Wells. Yes.

Senator Rockefeller. In other words, this is not some kind of a decision to be made in the abstract. It is not theoretical. You are talking about people who either are working or who will cease to work.

Mr. Wells. That is correct.

I think that one of the things that is interesting about our area is, I mentioned that I had deep roots. It seems that all the people there do. They do not want to leave. They do not want to be trained to do something else.

They want to stay there. Their families are there. Their roots are there. They have grown up there, and they want to continue to stay there.

Senator Rockefeller. Charlie?

Mr. Peifer. Yes, Senator, that was precisely the thought that was running through my head. Corning had its beginning in the early 1850's, which at that time it was located in Brooklyn, and a brave bunch of people moved out to Corning, New York, which at that point in time was out absolutely in the lower center part of New York State, where there was no industry.

Corning was officially incorporated as it is known today in the 1870's. So we have followed a course of expansion by adding value and by doing research and bringing to market superior products.

And in every case, we have built plants in smaller towns: Corning, New York, 16,000 people; Martinsburg; Charleroi, Pennsylvania; unfortunately, Muskogee, Oklahoma, which we had to close; Paden City, West Virginia, just up the road.

We do not go to big cities. We go to, and they are located in primarily across the company smaller towns, where Corning is the major employer. And when we have to close a facility, which unhappily we have too much experience in doing in an effort to remain competitive, it is no solace to say to those people: Yes, but you have been traded off for the greater good.

Senator **Rockefeller**. Well, the United States policy is that no more than 18.4 percent of steel can be imported from other countries, and people say, that is protectionism.

But what they do not tell you is that, if you are talking about Japan, Japan does not allow more than six percent of their steel to be imported. And you can take all the European countries together, they average 13 percent.

They do not tell you that. So that you could look at our 18.4 percent and you could say that was generous.

But why is it that we do this to ourselves with basic industries in communities that have no other source of employment, or relatively few other sources of employment?

Mr. **Wells**. That is right.

Senator **Rockefeller**. Why do we do this to ourselves as a country? I mean, it is obvious. You talk about American manufacturing, they say the unemployment rate is going down, and it is. But look at the manufacturing unemployment rate. That is going up.

We do this to ourselves. That is partly what this hearing is designed to try to counteract, to preserve jobs where we still have them.

Mr. **Lyons**. I think this point that Charlie made is well worth emphasizing, that this is—maybe it is a four-legged stool that Corning has. One of the legs is consumers, but this is what has allowed fiber optics, catalytic converters, things like that to be funded.

The research, there have been innumerable ones that have not made it to the marketplace, but some big home runs. There have been a lot of strikeouts along the way. But how do you fund that kind of thing for some major products, some major important products for this country?

Of course, we are heavily into the Defense Department area with lunar landing windshields and the tile.

Senator **Rockefeller**. I did not know that.

Mr. **Lyons**. The tile for the Shuttle program and the ceramic, machinable ceramic hinges for the Shuttle, and the space age mirrors and telescopes and all of that kind of thing. How do you fund that kind of thing? You have got to have some base business that does it, and that is really what is happening here.

Senator **Rockefeller**. And you are not getting a dime from the United States government to do your research.

Mr. **Lyons**. No, nothing.

I mean, that is dramatic. The audience cannot see that [indicating], but that is 20 of those thick bundles is one of those little ones there.

Senator **Rockefeller**. Yes, that is another thing that galls me. If this gigantic Mexican company loses money year after year, does the government underwrite it?

Mr. **Regan**. Well, indirectly it is underwriting it through a system in which the cost of natural materials, natural gas, energy, is less when it is sold domestically than when it is sold in the export market. So that is an indirect sort of subsidy.

But they have a very strong position in the domestic market, over 75 percent market share. It is hard to believe that they could ever run into serious trouble.

I think the point that David is making about this technology is, this technology here, $200 million was spent developing this in the twelve-year period before we got the first order.

Senator ROCKEFELLER. What percentage goes into R and D? You said it was the highest in the industry?

Mr. REGAN. 4.5 percent.

Senator ROCKEFELLER. 4.5 percent. And the average I think in this country is somewhere between 2 and 3?

Mr. REGAN. 3.9 for manufacturing.

Senator ROCKEFELLER. 3.9.

Mr. REGAN. But the point here is that that is an awful lot of money for Corning as a corporation to put into one basic technology, and it was all made possible out of that particular business.

In the case of Japan, which is the only country in the world which has an indigenous process for making optical fiber, the whole thing was organized by the government. They pulled together to try to figure out a way, frankly, to try to get around Corning's patents.

Senator ROCKEFELLER. Exactly. That is why I am so amazed. I have been at war with the Japanese patent system now for about four years. We are trying to get something done.

It takes an average of seven years if you invent something to get it patented over there. And in the case of newer technologies, in seven years, something else is coming along and it does not do you any good.

Gentlemen, I want to thank you. You have made a strong case and you have laid it out on the hearing record. That is why hearings are important, because they are not just shows. They are part of the official government record.

Mr. WELLS. That is correct.

Senator ROCKEFELLER. I thank you very much, and I appreciate your being here.

Mr. WELLS. Thank you, Senator, for the opportunity.

Mr. PEIFER. Thank you.

Senator ROCKEFELLER. Our third panel will be Mr. Larry Bankowski, who is the National President, and George Parker, who is the President Emeritus, of the American Flint Glassworkers Union. I believe this union was one of the original five unions which started the AFL, correct?

Mr. BANKOWSKI. Correct.

Senator ROCKEFELLER. Back in 18——

Mr. BANKOWSKI. 1978.

Senator ROCKEFELLER [continuing]. 1978.

And George Barbaree, International Auditor, Glass Molders, Pottery, Plastics, and Allied Workers, the International Union.

And I want to recognize also in the audience—you could put your hand up—Caroline Knoll, who is President of Local 1023, Flint Glass Workers Union.

[Ms. Knoll raises her hand.]

Senator ROCKEFELLER. Okay, Caroline, and Mr. Clemmens, National Representative of the Flint Glass Workers Union.

Ms. **Knoll**. He stepped outside.

Senator **Rockefeller**. All right.

Gentlemen, I am delighted to have you at this hearing. Mr. Bankowski, do you want to start off, sir.

Mr. **Bankowski**. First of all, I want to thank you, Senator, and your staff for arranging this very, very important hearing.

I believe first I will let Mr. Barbaree make his presentation on behalf of our sister union, the GMP.

Senator **Rockefeller**. All right.

STATEMENT OF GEORGE BARBAREE, INTERNATIONAL AUDITOR, GLASS, MOLDERS, POTTERY, PLASTICS, AND ALLIED WORKERS INTERNATIONAL UNION

Mr. **Barbaree**. Good morning, Senator. My name is George Barbaree and I am the Auditor for the Glass, Molders, Pottery, Plastics, and Allied Workers International Union, which represents the workers in the commercial chinaware factories here in West Virginia and in Ohio.

I have been involved with the workers in this industry and in this region since 1946, and I have been an International officer since 1957.

I particularly appreciate the opportunity you have provided this morning to tell you that I believe this industry cannot withstand another tariff reduction. I have seen this industry contract and the number of jobs diminish since the last tariff reduction on commercial china in 1979. For example, two plants have closed down in this area since that time. While not all the industry's problems are attributable solely to imports, they are the critical problem. Although the companies have made significant strides in modernizing and the workers have made great sacrifices during this period to keep factories operational, there are limits to our ability to compete with the millions of low-cost imports which have and continue to flood the market. We are simply asking that the government not undercut these efforts by reducing the current tariff on commercial chinaware.

The pottery workers have gone the last mile in trying to work with management to keep factories from closing down. They have done so out of loyalty, but also out of self-interest, because they will have no alternative employment if commercial chinaware production is driven out of business by imports.

Let me describe the situation our workers have confronted over the period since the last tariff reduction. Our contracts with the commercial chinaware producers run for three years. At every renewal in my experience we have been able to secure some improvements in wages and benefits, that is until 1981.

The contract that we negotiated that year provided for no wage increase in 1982 and only small increases in 1983 and 1984. That was the last contract to provide any rise in wages or benefits.

When that contract was up for renewal in 1984, there were no wage increases and no improvements in benefits. As the auditor for the union, I have the privilege to audit the producers' books and determine their profit or loss. I understood the dire circumstances these companies faced in their struggle with imports.

The workers understood the need to make concessions in order to allow these companies the opportunity to modernize as much as possible, to keep the plants in operation, and ultimately to save their jobs. At the next negotiating round in 1988, there were still no increases in wages or benefits. The workers agreed to a new contract under which the companies instituted a profit-sharing program which provided for an hourly bonus if there were profits, so that workers would at least share in profits if the company made any.

Although the companies asked their workers to make sacrifices, they created opportunities for their workers to share in any profits that might flow from these efforts. They have also taken significant steps to modernize and become more competitive.

For example, they put in fast-fire kilns which reduced their energy costs. We believe that these efforts may be beginning to pay off. At the end of last year, for the first time since the 1987 contract was agreed to, a bonus was distributed to the workers as part of the profit-sharing plan.

Although we are optimistic, we must remember that this was a one-time bonus, not an increase in wages. For the workers to benefit again, the company must again make some profit. We understand this dilemma and are trying to make adjustments until things are turned around.

But even with these sacrifices, the disparity in labor costs between the United States and the Asian and Eastern European countries, where so many imports are purchased, still enables importers to undersell American products. Even with the companies' efforts at factory modernization, there will always be a significant labor component in this industry, because certain tasks cannot be done by machine.

Nevertheless, we have made concessions in this area as well. We agreed to allow certain jobs to be combined throughout the operation of the plant. Although in the immediate term a certain number of jobs were lost as a result, we believe that the increased efficiency would lead to a more sound future.

Clearly, we made these concessions because, as representatives of labor-intensive industries like commercial chinaware, my union has seen many plants close down in this area in the face of competition from imports from low-wage countries.

My own union has merged twice since the last tariff reduction because so many jobs were lost. The first merger occurred in 1982 when, due to imports, we found that we could not sell our products. There was such a disparity in labor costs that there was no way to meet the import prices.

Again in 1987, we merged as imports garnered market share, displacing domestic producers and therefore American workers.

I believe this trend will continue. I believe this trend will reach a critical point if there is another tariff reduction.

I believe my members' interests are best served by keeping the tariff in place while we and the industry make every effort to become more competitive. Otherwise, the consequences will be particularly severe for the workers. They have traditionally only worked in chinaware factories and their work is semi-skilled and repetitive. Thus, their skills are not adaptable to other industries.

Moreover, they, like generations before them, have lived in this area and worked in these plants most of their lives and do not want to pull up their roots to relocate.

I am not an economist and I am not an expert on import statistics, but I believe the flood of imports following the last tariff reduction had a devastating effect on our workers. Many of my people were laid off. Those who still have jobs have cooperated in the belief that everyone must do his share.

We hope the U.S. government realizes that this is a critical time in which the industry is doing all it can to turn things around. We ask that the government not undercut our efforts by reducing our tariffs.

Thank you for your contribution, Senator, in providing this forum in which to get this word out to those who can make the difference.

Senator ROCKEFELLER. Thank you very much.

Mr. Bankowski.

STATEMENT OF LAWRENCE BANKOWSKI, NATIONAL PRESIDENT, AMERICAN FLINT GLASS WORKERS UNION, AFL-CIO, ACCOMPANIED BY GEORGE PARKER, PRESIDENT EMERITUS

Mr. BANKOWSKI. Senator, our union has prepared a 14 or 15-page statement regarding our union, how it has been affected, particularly focusing on our relationship here in West Virginia with our membership and with the health of the industry or the lack of health in certain areas of West Virginia.

We prepared 50 copies for distribution. We would just like to talk, briefly describing the situation that we have been confronted with in our union.

As you pointed out in the beginning, our union is one of the oldest in the United States, beginning in 1878, and one of the six founders of the AFL-CIO. Now, since that time our union really grew and prospered, and we reached a peak of membership of about 36,000 people just about the time when this GSP system went into effect.

Since that time our union has suffered a dramatic membership decline. At the present time we are down about a third of our membership, down to about 21,000 people. And of those losses—we did a survey of the plants that were closed, the plants that were reduced in size.

Of those losses in our membership, about 75 percent nationally have been in those plants affected by the GSP reduction in tariffs. And many of them, as you are aware, were here in West Virginia.

Now, as these plants close they do not close overnight. For example, in your opening statement you referred to the Anchor Hocking plant in Clarksburg that was closed having 900 employees, and that was an accurate figure. As a matter of fact, I happened to be the national representative that headed up the severance negotiations with Newell Corporation, and we did at that time have 900 hourly employees belonging to various local unions.

But a plant closes by degrees. A plant does not shut down overnight as it is injured by foreign imports into this country.

At its peak we had over 1,200 people. But as that plant became affected, it began operating at a lower and lower and lower level. So the government sometimes is misled by figures that are submitted to them in testimony saying that this plant closed and it had *x* number of workers. That is really not the whole picture. Generally, they had substantially more members involved.

Now, that plant was largely an automatic machine tableware, beverage glass factory, although it produced pressware items of another nature. I was somewhat astounded to hear earlier this morning one of the persons giving testimony in the first panel who said that the automatic machine tableware glassware factories were not significantly import-sensitive.

Senator, that is so far from what has been happening in this country that that fellow has to be embarrassed by the glass "experts" that provided him with those statistics.

Let me give you an example outside of West Virginia. One of our major automatic machine tableware manufacturers in 1974, just prior to the GSP preference system going into effect, our one Local Union 700 in Toledo, Ohio, had 1,560 members. And I can tell you that very accurately because I was the international representative assigned by my former President, Mr. Parker, to service that factory, and I had been servicing it regularly.

We had 1,560 dues-paying members. Then a French company by the name of Durand, they gained access to the market distribution in the United States, competing directly against that particular plant, the institutional line, the hotel and motel chains, hospitals, the restaurant chains.

They got access. They got a toehold into that market, and within a year and a half, within 18 months, they took $40 million of our business. And that plant and our membership was reduced from 1,560 to less than 900 people.

Now, Senator, I submit to you and to your colleagues that over 500 people are not an insignificant loss and represent certainly very heavy import sensitivity or penetration by a foreign manufacturer.

We have had that happen all over the United States. Yes, we have had devastation in the hand-made industry, but we have had it also in plants such as Anchor Hocking that closed in Clarksburg and the other plants that I referred to.

Federal Glass in Columbus, Ohio, in 1976—and I believe that is the year when GSP preference went into effect first. In 1976 we had a total hourly membership of our union paying dues to our union of 1,392 people. That plant is gone. It was one of the victims of Durand and other manufacturers from foreign sources dumping ware in here at prices we cannot compete with.

Let me give you an example. The company officials would have to give you the actual figures, but I have seen enough of the figures to give you an idea of what is happening.

This Mexican manufacturer, they can produce a four-pack of drinking tumblers, decorate the tumblers, put them into a carton and decorate the carton so it appears almost to be a carbon copy or a three-dimensional Xerox copy of something made by Libby or Anchor Hocking.

They will sell that retail, and you can go to stores in this area and purchase that retail for 99 cents. It costs us a buck and a half to manufacture it, and we have got to sell it for more than that in order to make a profit.

How in the world can we compete without tariff protection? We just simply cannot do it. And this has occurred with Federal, Anchor Hocking.

We lost 605 jobs in Lancaster, Ohio, at another Anchor Hocking location. We lost 793 jobs at Jeannette Glass in Jeannette, Pennsylvania, another small town that was just absolutely devastated, just as Clarksburg was in West Virginia.

This is from 1976 until the present time, and these are hard, conservative figures out of our dues books. These are people that were paying us dues every week. These are not figures of peak employment or what it happened to be or people who were on the rolls of the union as retirees or social member or whatever.

These are people who paid dues every week that no longer pay dues.

Corning Glass, of course, Muskogee is gone. We lost 508 there during the round of tariff reductions. Rodefer-Gleason in Bellaire, Ohio, neighbors of West Virginia, very close neighbors, we lost 62 people when that factory closed. Imperial Glass, we had 251 in 1976, down to zero.

Fostoria Glass in Moundsville, some of the finest glassware produced anywhere in the world. As a matter of fact, our union, through the efforts of President Emeritus Parker we have one of their hand plant shops in our archive building at our national headquarters in Toledo, Ohio.

When they went out of business, they donated one of their hand plant shops and we moved it to Toledo and we installed it in a place of honor in our archives—some of the finest ware manufactured anywhere in the world was produced by Fostoria Glass. It is gone.

Tiffin Glass in Tiffin, Ohio, we lost 127. Seneca Glass, Morgantown, West Virginia, 66 jobs. Morgantown Glassware—I received a letter from our national representative just last week. There is a bulldozer clearing that property to make room for some kind of an expansion of an electrical company—that beautiful Seneca Glass is no longer made.

They made some of the finest crystal in the world. And I have some of their bells, their dinner bells. You never heard a dinner bell—you could go to Ireland and buy that fine china they sell in Ireland or anywhere in the world.

Just pick up a Seneca bell if you are ever near a store or an antique shop that has one left, and ring it. You can hear it down at the other end of the hotel here. It is just absolutely beautiful.

But they are out of business. We do not manufacture that any more because we could not compete with foreigners.

The Westmoreland Glass Company, we lost 187 people there. Crescent Glass in Wellsburg, West Virginia.

And we do not have it listed here, but another company is Erskine Glass. This reminds me of a way in which these companies were put out of business by foreigners that lie and cheat to government officials and government officials, barring present company, of course, many government officials do not even have any idea what is going on.

These two companies, I recall ten or twelve years ago when I was an assistant secretary, the President of the company called me. He says: Larry; Mr. Parker? I said: No, Mr. Parker is not here right now.

He replied: Well, I will talk to you. I am really scared. You know what has happened? A whole boatload of products that compete with our products has arrived in the New York harbor. And these two companies made largely decorative candles for churches, Catholic churches and for other people—hand-pressed, beautiful hand-pressed glass that you would put a candle in and then they put it up near the altar or the Virgin Mother or whatever, and the prayerful people would go in there and light the candles.

A big business. These two companies manufactured that as their primary product. So this foreign company, they shipped all this stuff into the New York harbor and they told the Customs official that they were importing candles and that the votive—these beautiful, hand-pressed, expensive votive candle holders, that they were containers for wax.

And do you know, they hoodwinked the American government and all of those, I do not know how many hundreds and hundreds of gross of votive candles, came into the United States from a foreign source, and our government, Customs officials, whoever made the decisions, as wimpy as they are, they drove these two companies in West Virginia out of business.

And there have been very, very few, very, very few bureaucrats in the United States who have stood up as you have, Senator, and Senator Heinz and many others, who are saying enough is enough, we have to protect our people here at least in some manner comparable to what foreign countries have done.

The other point I want to make is, I hear this thing about access: Well, we will trade tariffs off for access. The Mexicans, if they give us access to their market and will reduce the tariff, that is a fair trade.

You know, the Mexicans, their average wage including fringe benefits, their average manufacturing labor costs, are somewhere a little over two dollars an hour, I guess about $2.17 or $2.25. But they have many wage rates, going down to 40 cents an hour. We are talking about averages.

But the tremendous population of Mexico, many of them work for 40 cents an hour or less. And Mexico City, of course, today is the largest city in the world. 24, 25 million people live in Mexico City. They have a tremendous market there, but not much money for the general population.

Now, in this country we have, of course, much better earning abilities and spending abilities. This is the market of the world.

So access to me, trading access for tariffs to me is ridiculous. It is kind of like me going to Mr. Sam Walton, one of the richest men in the United States, and saying: Sam, I tell you what I will do; I will give you free access to my bank account and you give me free access to yours. I do not think that Sam would think that is a very good trade.

However, when I hear these government bureaucrats saying we will trade off the tariffs for free access, I think of Mr. Sam. I do not think he would buy it and, by God, I do not think this country ought to buy it.

I think we have to continue our existing tariff. If not, our union is going to continue to diminish. And this gentleman sitting next to me to my right, Mr. George Parker, he was our International President for 28 years, and he devoted his life to protecting glass workers and he lived the history of this union for the past 28 years.

I had the good fortune for the past 14 to serve as kind of his apprentice. Mr. Parker can really bring you up on what has happened and what we have to do in this country in order to preserve it.

George.

Mr. **Parker**. Well, Senator, we certainly appreciate this opportunity to express our views to you.

Our union, as you mentioned, is one of the oldest in our country. It is also a very respectable union. We have never been tainted with any kind of scandal. Our national officers, every one of them has worked in a glass factory, only then is he eligible to be elected as a national officer.

I worked in a glass factory as a young fellow. I came into the labor movement more than 50 years ago, and I have served as a national officer of the American Flint Workers Glass Union for 37 years, 28 of which I was the National President of that union.

We have done everything we can to make America competitive. I would like to comment on the handmade lead crystal glass industry that we heard our friends from Washington talking about that they are going to negotiate for. They stated they are going to protect the import sensitive industries, however the hand-made lead crystal industry in America is 90 percent gone. As a result of imports.

We have presently about 200 skilled glassworkers in this country left. These are similar to the skilled craftsmen that blew the light bulb for Thomas Edison that replaced the Kerosene Lamp.

These are the skilled craftsmen that blew the radar tubes that went into our bombers that helped win the war for us. And where we did not have sufficient skilled glassworkers at times to blow enough of those bulbs. As a result at times newly built bombers were grounded.

These are the skilled craftsmen that, when television was invented, blew the television bulbs, until they reached about 14 inches. Then Production was converted to the machines. Glass companies such as Corning and Owens-Illinois could not invent or invest in a million dollar machine to make bulbs until they had proven the practicability through this hand-made process.

Well, our friends in Washington—through so-called Free Trade, our handmade industry is practically gone. You cited the West Virginia Glass Specialty Company. You cited others here in West Virginia, such as Fostoria Glass. All of those plants are closed.

We have prepared a list for you of plants closed in West Virginia in the last ten years now. I will not go back into the fifties and sixties because I would have too long a list for you. However, we have presented you a list of 19 plants that existed ten years ago, that were making glassware, and this is one of the major glassproducing states.

Of those 19—and then you mentioned some non-union plants that we were not too familiar with. However, if we add those you mentioned, we are going to add five plants to the total.

So of 24 plants that were either making the glass or supplying the glass with either silica or molds; of those 24 plants that existed in your state ten years ago, today there are eleven of them in operation, and most of them have less employees than they used to have.

Of the 15,000 members that we had in our union that no longer belong, they did not say: Oh, we hate the union, we are quitting. Their jobs have disappeared. That is why they are no longer union members, not out of choice.

The glass industry has been tied to every major technical innovation in communications, in television, the electrical light, the optical waveguide fibers. We have satellites floating over the earth that are looking down on our enemy and recording what is going on.

Where do you think that glass technology came from? It came from basic American ingenuity and companies such as Corning and others who were able to develop that. You see this CorningWare here? I assume you do not know that every missile that has a radar device behind it has a Pyroceram nosecone that will not interfere with the signal going out that will hone in on the target.

Where would we be without that glass technology in the defense of our nation?

We have lost the handmade lead crystal industry. 30 and 40 years ago my predecessors and I were going to Washington begging people like President Eisenhower and our Congress to protect the American handmade glassware industry to no avail. Now it is gone.

One major company making fine handmade lead crystal glass is left. That is the Lenox Crystal, and what helps them is they manufacture fine lead crystal for the State Department. That is one of their major accounts.

Our friends in Washington, our bureaucratic friends, say, oh, we are just going to—we will be protective, we are going to see to this and that. They have not protected the handmade glass industry.

Now, the automatic machine industry—I believe, Senator, you have been in the Clarksburg plant in West Virginia. You have seen a glass furnace. You cannot build one today for a million dollars.

You have seen these huge forming machines. You cannot install a couple of them for $2 million. You are looking at an investment of $2 or $3 million just for one machine. The Corning Glass Works added one furnace in State College, Pennsylvania to make television bulbs. The investment was $58 million. They did a little work down in Parkersburg after they closed the Muskogee plant.

They moved part of the production down to Parkersburg. It costs $25 million. There is a tremendous investment in this equipment.

Now, what has happened in the television industry? In order to stay in the business of making these glass tubes for TV sets, two American companies—they are the only ones in the business—no, there is one more, I believe, R.C.A makes tubes for itself in Circleville, Ohio.

But two major players, Corning and Owens-Illinois, each of them have had to sell a major part of their television tube business to the Japanese. The Japanese prefer to buy from Japanese suppliers.

I believe the Japanese now own about 30 percent of the Corning plant in State College, but they are gradually going to increase their holdings through the sales agreement to almost 50 percent.

Owens-Illinois, the Nippon Electric Glass Company presently owns 50 percent of Owens-Illinois. I do not think either company wanted to sell; however, they were put in a position where, if they want to sell tubes to Sony and other Japanese set manufacturers in the United States, they had to include the Japanese as part owners of their glass TV tube manufacturing.

Where do you suppose the profits are going to go? At least a good share of them? Are they going to stay in the United States or are they going to go to Japan so they can buy more American plants?

Do not be misled about the automatic machine industry not needing protection from unfair imports. Larry told you we lost the Federal Glass Company, we lost the Jeannette Glass Company and others.

In Lancaster, Ohio, not too many years ago we had 3,000 employees in the Anchor Hocking Glass Company, which is one of the major players, probably second only to Corning. They made a wide range of glass products. That company was financially troubled.

It had been bought by Newell. We now have 1,000 people employed where we had 3,000. Not only did we lose the hourly jobs, but the office jobs also disappeared.

In Clarksburg, West Virginia, Anchor had bought into that plant looking to future expansion. That plant closed and we had 900 people. So the Anchor Hocking that at one time had 3,000 in Lancaster and several hundred down in Clarksburg now has 1,000 hourly workers in Ohio, and this is a modern, automatic machine factory.

Now, when they say they are going to protect us, oh please, good Lord, help us. If the kind of protection we are going to get in the future has any relationship with what has happened to us in the past, we are going down the tube.

They talked about Mr. Yeutter learning about what has happened to American industry. When he left office he was smarter and more rigid about protecting American jobs. Now we have Carla Hills to educate. However, while these people get "on the job training," American workers go out on the street.

Where do they go? Do they go into the coal mines of West Virginia? You know what has happened in the coal mines. Do they get a job in the steel industry when they close the plant down, down in Paden City or in Moundsville? Do they go into the mining industry or the steel industry at Moundsville?

No. You know where they go? On relief, and that is where they go in Lancaster, Ohio. That is where they go in all these small towns. And the people in Washington sit around and trade off American jobs as they have done for years.

Now, we are manufacturing the optical waveguide fiber. One fiber as thin as a human hair will carry something like 20-some thousand messages simultaneously both ways, instead of one copper wire carrying one conversation. I am told that in the laboratory they are working on a fiber that will carry over 300,000 messages through a glass fiber.

The tremendous cost of the research, where does it come from? It comes from that stuff over there. That is where the money comes from (points to consumer glass products on display.)

They work sometimes for years, not only Corning but Owens-Illinois and the rest of them to develop these new products.

What are we faced with in the future as we go into this round of negotiations? We are looking at a Europe that is in revolution. When Hungary, as they recently changed, going democratic, what happened? Within a week President Bush gave the Hungarians the special tariff consideration of most favored nation treatment.

Okay, now Hungary is a favored nation. Will that increase their ability to import into the United States? It certainly will, and we believe the Hungarians are going to need some help from us.

Do you think the Poles are going to receive most favored nation? I believe so. Do they have a glass industry in Poland? They certainly do. Do they have an automatic machine industry in Poland. They certainly do.

So you see—the way things are moving in Europe, do you think that maybe in three or four years Russia, with workers who have been working under slave conditions, they might get favored nation treatment in Russia? We are talking about lending them money. We are talking about sending investors over there. We are talking about all that.

Now, we go in and cut the tariffs on glass. In addition to the tariff cuts, all these favored nations line up for the American market. Now, where—pardon my French, but where in the hell is the American glass industry going to be?

We are not making shirts. We are not making shoes. We are not making things that people just want to have. We are talking about the very livelihood and the defense of the United States. The glass industry is involved in so many technical things, in communications, in our national defense, missiles, and up in the sky the satellites.

The people in Washington, they add up their figures: Well, this many come in, this much comes in, this much is going out. Do they see those hand-made glass workers that invented the light bulb, blew that? Do they see all the human despair and ruination of an entire industry?

No. They just look at figures. Do they see, when they close the plant, the 50 year old man sitting on the railroad track with tears running down his face because he has no job and he has no job to go to? Do they see that? I do not believe they do.

However I see it. Union officials are always there when they close a plant. We see the heartbreak, and we see entire communities emasculated, like Clarksburg, West Virginia, and other communities.

I went to Clarksburg negotiating a contract years ago—what wonderful people. Where are they today? A great big factory that at one time, we had 1500 jobs and 24 machines running in Clarksburg. And now you have got an old tin shed sitting there, with very expensive machinery and furnaces and everything.

So Senator, when they tell us how they are going to protect us, and with the ferment that is happening in Europe—and then in 1992 all of our friends in Europe are going to join together. Now we are going to go in and cut the tariff?

I think we should not cut any tariff. The first thing we ought to do is find out what is going to happen in Europe. If we cut these tariffs and also give them most favored nation and everything else, where are we going to be?

I will tell you where the glassworkers are going to be: out on the street, where 15,000 of them are today and where 5,000 in your state alone, 4,000 in the union organized plants and, from what I estimate another 1,000 in the non-union plants.

So Senator, we are looking at a growing problem. It is not just another tariff cut or another few jobs. I think in many respects it is the future of America in communications, in defense, in satellites, and in good American jobs and the hopes of decent people, who elect men like you. These people who are paying their salaries in Washington, we expect to protect us.

We fought in our wars. We protected you. And I know, Senator, that your sentiments are that way.

Thank you.

Senator **Rockefeller**. Thank you, Mr. Parker. And I want to thank all of you.

What do you think will happen in Washington on these decisions?

Mr. **Bankowski**. Not at this point. We have a hearing before the U.S. International Trade Commission on Thursday.

Senator **Rockefeller**. On Thursday.

Mr. **Bankowski**. My instinct is I hope they do not cut any tariffs, because I do not think they realize what damage they will do to our industry and to our union.

George was President of our union for 28 years. I was just elected this past June. I would like to have just a few years. And quite frankly, our union's future is so closely intertwined with the future of the glass industry, particularly in the automatic machine plants and particularly in the producers of drinking tumblers and oven cookware and that sort of thing, the products that are tremendously under attack, if tariff reductions are granted I can look forward, like George, to being a 58 year old man sitting on the railroad tracks someplace.

And it is no less serious than that. We have dropped one-third of our members.

Senator **Rockefeller**. Someone said in their testimony that there had been no wage increases for of years. Do you see that kind of sacrifice having to continue even if there are no reductions in the tariff, just to remain competitive?

Mr. **Barbaree**. Speaking for the chinaware industry, I think that that will improve somewhat, because the companies are now——

Senator **Rockefeller**. In profit-sharing?

Mr. **Barbaree**. In the profit-sharing.

Senator **Rockefeller**. But they have to make a profit.

Mr. **Barbaree**. They have got to make a profit. But they are making the investments in the plants and they are modernizing the plants and doing everything that they can do.

My instinct, to respond to your question, is that if these negotiations in this round produce the same thing that has been our experience in the past, they will trade us off. It is an ideal industry to trade off in that it is so highly labor intensive and those other countries are low-wage countries.

It is a natural for them to take these kind of industries, and that has been our experience in the pottery industry for many, many years. Since the Second World War, in fact, we have always been one of the industries that have been most sensitive to the imports.

Unless something is done to prevent those cuts, I would see that same thing happening, just a complete devastation of what is left of the industry.

Senator **Rockefeller**. I agree with you. I think all three of you have given a very broad sweep to the area that we are covering today.

You covered the bases and laid down a predicate for the hearing record.

Some very important decisions are going to be made soon. As was pointed out earlier this morning, on April 3rd the President will make his announcement. When you're dealing with fragile economies and fragile work forces these facts have to get out, not only to the government people who will be making those decisions, but also to the American people, who in turn could apply pressure to the people who will be making these decisions.

I want to thank all three of you very much. This entire hearing, in fact, has been very helpful as far as I am concerned.

Having so said, I declare the hearing adjourned.

[Whereupon, at 11:52 a.m., the subcommittee was adjourned.]

ADDITONAL ARTICLES, LETTERS, AND STATEMENTS

STATEMENT OF
MICHAEL T. HALL, VICE PRESIDENT OF
MID-ATLANTIC OF WEST VIRGINIA, INC.
BEFORE THE
SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM
IN OPPOSITION TO
URUGUAY ROUND AND GENERALIZED SYSTEM OF PREFERENCES
REDUCTIONS OF TARIFFS ON GLASSWARE
OCTOBER 30, 1989
MARTINSBURG, WEST VIRGINIA

My name is Michael T. Hall and I am Vice President of Mid-Atlantic of West Virginia, Inc. which is located in the small community of Ellenboro, West Virginia, where we make hand-blown glassware, primarily "globe-shaped" bowls. The future of our company and its 140 employees is threatened with imminent closing if a Mexican conglomerate, Vitrocrisa Cristaleria ("Petitioner"), has its Petition for Generalized System of Preferences ("GSP") treatment of "globe-shaped" bowls granted, thereby reducing the tariff on "globe-shaped" bowls to zero. Similarly, we are also threatened by the current Uruguay Round negotiations which threaten reduction of duties on "globe-shaped" bowls from its current level of 30 percent to 15 percent. Because of the extreme import sensitivity of "globe-shaped" bowls, any reduction in the duties will result in lost sales for our company. We have vigorously opposed the granting of GSP and any duty reductions in the Uruguay Round negotiations. We ask for your help in saving our company and our industry.

I. ELIMINATION OR REDUCTION OF U.S. IMPORT DUTIES ON "GLOBE-SHAPED" BOWLS UNDER THE GENERALIZED SYSTEM OF PREFERENCES OR THE URUGUAY ROUND WILL HAVE SEVERE NEGATIVE ECONOMIC EFFECTS ON MID-ATLANTIC AND WILL RESULT IN THE CLOSURE OF ITS BUSINESS

Mid-Atlantic purchased its plant in 1987 from Mid-Atlantic Glass Company which closed down in 1986 after more than fifty years in the glass-making business. That company closed its doors because of its inability to compete with low-priced Mexican "globe-shaped" bowls. One of its largest volume products was its line of "globe-shaped" bowls which also provided a lead-in to wholesalers for the sale of other glass products that it manufactured. It simply could not compete with Mexican prices that were fifty percent less! One of its good customers had regretfully refused to buy from it any more and stated: "The quality of your glass is better, but we can buy from Mexico for 50 percent less."[1] Attached as Exhibit 1 is an article from Glass Collector's Digest which chronicles the demise of the Mid-Atlantic Glass Company. As a result of a number of cut-backs, cost-saving efficiently measures, and substantial concessions from our work force, Mid-Atlantic was able to open its plant in 1987 and survive in the environment of price depression caused by low-priced imports of "globe-shaped" bowls from Petitioner.

In order to help Mid-Atlantic to be competitive against the Petitioner, it's employees agreed to a substantial reduction in income and benefits. Mid-Atlantic had no difficulty in finding skilled glassware workers to take on this challenge and make its hand-blown glass "globe-shaped" bowls. Many skilled glass workers are available as a result of the closing of the following plants in the vicinity of Mid-Atlantic's plant:

Harvey Industries, Clarksburg, WV, 1985;
West Virginia Specialty Glass Co., Weston, WV, 1986;
Anchor Hocking, Clarksburg, WV, 1987;
Mason Glass Co., Jane Lou, WV, 1987;
Owens-Illinois, Vienna, WV, 1988;
Corning, Paden City, WV, 1989;

We estimate that these plant closings in recent years have created a pool of at least 4,000 skilled glassware workers, at least a third of which are skilled in the hand-blown glass-making process. In addition, Louie Glass Company in Weston, West Virginia, laid off approximately 100 employees in 1989, and Fourco Glass Company in Clarksburg, West Virginia, recently announced a lay-off of

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[1] "Tale of Two Glassmakers," Glass Collector's Digest, June/July, 1987, at 5.

20 percent of its work force. Contrary to the Petitioner's assertions that the U.S. industry "has had trouble finding the skilled labor necessary for efficient production of the hand-made product,"2/ there is a huge surplus of skilled hand-blown glass workers waiting for positions at Mid-Atlantic and other glassware manufacturers. There are at least nine hand-blown glass manufacturers in West Virginia which do or could make "globe-shaped" bowls: Mid-Atlantic; Pennsboro Glass Company in Pennsboro, West Virginia; Louie Glass Company in Weston, West Virginia; Pilgrim Glass Company in Huntington, West Virginia; Blinco Glass Company in Milton, West Virginia; Beaumont Glass Company in Morgantown, West Virginia; L.E. Smith Glass Company in Morgantown, West Virginia; Fenton Art Glass Company in Parkersburg, West Virginia; and Judell Glass Company in Salem, West Virginia.

Mid-Atlantic makes the entire range of "globe-shaped" bowls with diameters ranging from 3 inches to 16 inches. The vast majority of its production is composed of "globe-shaped" glass bowls. Because sales of "globe-shaped" bowls function as a lead-in to wholesalers for the sale of other glass products, we will probably lose most of our business if GSP treatment is granted or duties are reduced on "globe-shaped" blows in the Uruguay Round negotiations. On September 25, 1989, Mid-Atlantic laid off 11 of its workers due to the current decline in sales of that product. Mid-Atlantic's plant is currently operating at less than one-half of its capacity. With the surplus of skilled labor and its unused capacity, Mid-Atlantic is in an excellent position to respond to the current demand and any increase in demand in the U.S. market for "globe-shaped" bowls.

As a result of the substantial concessions given by its work force and the other cut-backs and cost-saving efficiency measures, Mid-Atlantic has been able to cut its prices for "globe-shaped" bowls by a substantial amount below the price that had been charged by the previous owner of its plant. This severe price cut was necessitated by the price depression in the U.S. market caused directly by head-to-head competition with low-priced Mexican "globe-shaped" bowls. Under the current tariff, Mid-Atlantic has generally been able to bring its prices close enough to be competitive with Petitioner when coupled with its responsiveness to orders and reliable delivery. However, if duty-free treatment under GSP is granted to "globe-shaped" bowls, the loss of or reductions of the 30 percent tariff would result in a loss of all of Mid-Atlantic's "globe-shaped" bowl business because it cannot lower its prices any further to compete. The prices Mid-Atlantic is currently charging its customers are so depressed by

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2/ Petitioner's Pre-hearing Brief before the GSP Subcommittee, September 5, 1989 at 5.

competition with Mexican "globe-shaped" bowls, that there is no further room for reductions without going below the cost of production. Thus, GSP treatment or Uruguay Round reductions of tariffs on "globe-shaped" bowls would result in an immediate loss of the majority of Mid-Atlantic's business and a lay-off of most of its employees. With the loss of the "globe-shaped" bowl business, it is anticipated that the balance of our total glass business will be lost because other sales are currently being generated as a result of the lead-in sales of "globe-shaped" bowls. With that loss of business, our company will not longer be viable. The overhead costs on the remaining production would be so great as to make it impossible to remain competitive.

The closing of Mid-Atlantic's plant would cause a serious hardship for the small town of Ellenboro and surrounding areas because there are no other employment opportunities for the laid-off workers. This region of West Virginia already has one of the highest rates of unemployment in the state. The loss of our company as a major employer and purchaser of services and materials will have a negative ripple effect throughout the economy of that region of West Virginia.

II. "GLOBE-SHAPED" BOWLS ARE IMPORT SENSITIVE AND SHOULD NOT BE SUBJECT TO GSP ELIGIBILITY OR URUGUAY ROUND REDUCTIONS

Because the U.S. glassware industry, including "globe-shaped" bowls, has a long and continuing history of import sensitivity, GSP eligibility and Uruguay Round reductions must be denied. Recognizing this problem of continuing import sensitivity, Congress specifically excluded semi-manufactured and manufactured glass products from GSP eligibility under Section 503(c)(1)(F) of the Trade Act of 1974. The sensitivity of glassware products to price decreases arising out of duty-free treatment of imports is well illustrated by the results of the Caribbean Basin Initiative ("CBI") and the U.S.-Israel Free Trade Agreement. When the CBI came into effect in 1985, imports from the CBI countries increased from 860,000 units in 1984 to 5.6 million units in 1988, a 554 percent increase. As a result of duty-free treatment under the U.S.-Israeli Free Trade Agreement, imports of glassware increased by 8,356 percent from 25.5 thousand units in 1985 to 2.2 million units in 1988.

Import penetration of the U.S. glassware market under Harmonized Tariff Schedule ("HTS") heading 7013 (glassware) has risen from 10 percent in 1971 to 33 percent in 1985 to an estimated 44 to 50 percent in 1989. These are substantially higher import penetration levels than those which currently exist in the textile and steel industries (between 20 and 30 percent) which Congress considers to be import sensitive. This rapid increase in imported glassware penetration of the U.S. market has occurred without GSP treatment or Uruguay Round reductions and with U.S. glassware tariffs as high as 38 percent. This dramatic increase in import penetration of the U.S. glassware market has occurred while U.S. consumption has been stagnant in some products and declining in others.

With respect to HTS 7013.99.50 (globe-shaped bowls), Mexico has increased it's exports to the U.S. by 38 percent from $2.1 million in 1986 to $2.9 million in 1988. GSP eligible countries as a whole increased their exports to the U.S. by 38 percent from $3.7 million in 1986 to $5.1 million in 1988. Non-GSP eligible countries have increased their imports by only 4 percent over that period. In 1988, Mexico was responsible for 57 percent of all imports from GSP eligible countries in subject tariff category. Petitioner has been able to achieve this dominant competitive position without GSP eligibility.

The Mexican Petitioner's successful competitive position in the U.S. market is enhanced by being part of a large Mexican glassware conglomerate which has modern, efficient, state-of-the-art glassware manufacturing facilities and aggressive marketing techniques. With 1988 revenues of over $1.1 billion, this conglomerate had the economic power to make a successful $300 million bid to take over the Anchor Glass Container Corporation. Petitioner itself has stated in its advertising that it has more than tripled its sales in the United States from $18 million in 1984 to its forecast of more than $60 million in 1989.3/ Furthermore, there are similar large producers in Brazil, Turkey, Indonesia, Poland and Hungary which are planning on expanding their glassware production and position in the U.S. market (i.e., Pasabache in Turkey, Kedaung in Indonesia and Nadir Figeueiredo in Brazil). With the advantage of low cost labor ($9.00 a day) and subsidized gas to fuel their plants and no EPA, OSHA, or worker's compensation costs, Petitioner and other producers in GSP eligible countries are able to undercut U.S. prices without GSP treatment or Uruguay Round reductions. These large, well financed, efficient manufacturers do not need tariff reductions to compete successfully in the U.S. market.

The rapid increase in imported glassware penetration levels in the U.S. market caused by deep price undercutting has been disastrous for the U.S. industry. Since the Tokyo Round reductions began in 1980, at least 39 glassware plants have been closed as a result of import competition, 24 of which closed in the last five years. Over 16,000 jobs were lost. Between April 1985 and July 1989, 5,284 glassware workers received Trade Adjustment Assistance because their jobs were lost to imports. These disasters do not include the great number of employees that are currently laid

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3/ See The World of Glassware, "Welcome to the World of Crisa."

off from existing glassware plants. The State of West Virginia has been particularly injured by glassware import competition and closed plants.

As a result of creative cost cutting measures and it's employees sacrifices in wages and benefits, Mid-Atlantic has been able to bring its prices close enough to be competitive when coupled with its responsiveness to customers and reliable delivery. Mid-Atlantic is doing the right things to be a viable and competitive company in the U.S. market for "globe-shaped" bowls. It has cut its prices to the bone to compete with Mexican imports. It will continue to succeed in this effort if the rules of the game are not changed by granting GSP treatment and/or Uruguay Round reductions to "globe-shaped" bowls. Granting tariff reductions on glassware now would be sending the wrong message to U.S. industry. The 1980's message from Washington to U.S. industry has been: "get competitive"! Mid-Atlantic and its employees have done that and they've done that well. As a matter of policy and economic fairness, companies such as Mid-Atlantic should be supported and encouraged to make such extraordinary efforts to be competitive against imports. In contrast, granting GSP eligibility or Uruguay Round reductions to "globe-shaped" bowls will result in the closing of it's plant. In the depressed economy of Ellenboro, West Virginia, workers have only two choices: make glassware or go on welfare. Mid-Atlantic and it's employees want to continue to make glassware, keep its people employed, continue to contribute to the economy of our country and serve as a role model for other companies who want to become competitive against aggressively priced imports.

III. AGGRESSIVE PRICE UNDERCUTTING BY THE MEXICAN CONGLOMERATE

The only difference between Petitioner's products and those manufactured in the United States are Petitioner's consistently lower prices brought about by its aggressive marketing strategy of price undercutting to gain market share. This accounts for the current price depression in the U.S. market for "globe-shaped" bowls. U.S. producers have already come up against price cuts of 20 percent to 36 percent by Petitioner this year. Petitioner's price list dated December 13, 1988, lists a price of $2.25 for a six-inch "globe-shaped" bowl, $4.50 for an eight-inch "globe-shaped" bowl and $9.00 for a twelve-inch "globe-shaped" bowl. It's February 14, 1989 list prices were $1.80, $3.60 and $5.75, respectively for the same "globe-shaped" bowls, a 20 percent to 36 percent drop in price in only two months. Furthermore, Petitioner then provides further discounts from these list prices by as much as 40 percent and higher.4/

4/ ITC Tr. at 40 and 47.

In order to compete with Petitioner's current prices, Mid-Atlantic has dropped its prices as low as it can go without having to give up its business and close its doors. In order to understand the aggressiveness of Petitioner's price undercutting it is also important to understand that Petitioner's prices also include more packaging advantages than Mid-Atlantic can afford at these low prices. For example, Petitioner's price for the eight-inch "globe-shaped" bowl includes the labor and materials cost of packaging each bowl separately and then putting them in master packages containing four individual boxes.5/ In order to keep its cost down, Mid-Atlantic is forced to sell its eight-inch "globe-shaped" bowls in one package containing twelve bowls. Comparing twelve of Petitioners against twelve of Mid-Atlantic's eight-inch bowls, the Petitioner provides the buyer with three master boxes containing four individually boxed bowls in each master for its very low price, while Mid-Atlantic can provide only one box with twelve bowls. That packaging gives the Petitioner an advantage because buyers often do not want to buy twelve bowls and may prefer only two or three bowls. Thus, Petitioner can accommodate the small sales with their individually boxed four-pack, but Mid-Atlantic cannot provide such packaging and keep its prices competitive with the Petitioner.6/

During the Hearing, Mid-Atlantic testified that one of its customers asked it to match Petitioner's eight-inch "globe-shaped" bowl price of $1.20 in the U.S. market.7/ At the ITC Hearing, Petitioner's response and excuse for such a low price was that those bowls were a "close out" item.8/ To the contrary, its price lists show that Petitioner continues to offer eight-inch "globe-shaped" bowls at a list price of $3.60 in 1989 and had offered it at a list price of $4.50 in 1988. That product has not been closed out! Furthermore, it is difficult to understand Petitioner's rationale for requesting GSP treatment for its larger "globe-shaped" bowls under HTS 7013.99.50 in which the price range is limited to $.30 to $3.00. How can Petitioner sell the sixteen-inch "globe-shaped" bowl which it lists for $19.65 for a price as low as $3.00 or less without raising serious questions of dumping or fraudulent representations on Customs documents? We have strongly urged the GSP Subcommittee and the ITC to investigate the basis upon which Petitioner proposes to sell or is selling the subject bowls, with list prices as high as $23.75, for a price in the $.30 to $3.00 range which is required by the subject tariff category.

5/ ITC Tr. at 47.

6/ Id.

7/ GSP Tr. on September 28, 1989 at 72.

8/ ITC Tr. at 71.

Petitioners' ability to drop its list prices by 20 percent to 36 percent and then offer customers another discount of 40 percent or more off its list price makes it patently clear that it does not need duty reductions to compete. It is equally clear that GSP eligibility and/or Uruguay Round reductions would cause the elimination of all U.S. production of "globe-shaped" bowls and put companies, such as Mid-Atlantic, out of business. The anticipated loss of our business will leave overhead costs on the remaining production that would be so large as to make Mid-Atlantic's other products noncompetitive.

VI. CONCLUSION

It is vitally important that the Mexican GSP Petition on "globe-shaped" bowls be rejected and that no duty reductions be granted in the Uruguay Round. Under the existing tariff structure, Mid-Atlantic and other glassware producers can maintain their viability and continue to compete successfully against the aggressive competition from Mexican and other developing countries. It is unconceivable that the domestic industry producing "globe-shaped" bowls could survive the immediate reduction of duties from 30 percent to 0 percent in GSP and up to 50 percent duty reductions in the Uruguay Round when it is already suffering losses to import competition under the current tariff structure.

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LIBBEY GLASS INC.
a unit of Owens-Illinois

John F. Meier
Vice President
Director of Marketing and Sales

October 23, 1989

The Honorable John D. Rockefeller, IV
724 Senate Hart Office Building
Washington, D.C. 20510-4802

Dear Senator Rockefeller:

I am writing on behalf of Libbey Glass Inc., a unit of Owens-Illinois, Inc., a United States producer of glassware used for table, kitchen, restaurant, and food service purposes, with plants in Toledo, Ohio, Walnut, California, and Shreveport, Louisiana.

Opposition to Duty Reductions on the HTS 7013 Items

In hearings before the USTR and the International Trade Commission, Libbey has expressed its opposition to the United States negotiating any duty reductions on glassware imported under HTS item numbers 7013. The U.S. glassware industry is highly import sensitive, with U.S. shipments remaining flat since the Tokyo Round reductions, and imports increasing at an incredible rate. Imports now account for about 45% of U.S. consumption of the HTS 7013 items (penetration more than double that in other industries, such as steel and textiles, that are recognized as import sensitive).

The U.S. glassware industry has witnessed a substantial contraction in production capacity and reduction in employment during the 1980s as a result of our loss of market share to imports. A number of producers have ceased operations, and others have closed significant portions of their production facilities. The Bureau of Labor Statistics reports that, since 1974, employment in the pressed and blown glass industry has declined by 204,000. And 5,284 former glass industry workers have been certified, from April 1984 to July 1989, to receive trade adjustment assistance for jobs lost specifically by reason of import competition.

We are particularly concerned because, in a simplistic analysis, it could appear that glass tableware duties are relatively high; whereas the industry's experience shows that the duties are, in fact, not high enough to assure long term viability. Negotiating duty reductions on the HTS 7013 items would be devastating for the industry.

Opposition to Proposed Amendments of the GATT Dumping Code

We are also greatly concerned to see that foreign countries, such as Japan, Korea and Hong Kong, and U.S. importers, are proposing changes to the GATT Antidumping Code that would undercut the ability of the United States to stop dumping.

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Page 2

We are aware of glassware product being imported and sold in the United States at prices that are impossibly low and certainly the result of dumping rather than some competitive advantage. We ask that the administration not negotiate a weakening of our dumping laws. Even if normal tariffs are retained at present levels, in light of its weakening condition, the glassware industry must give serious consideration to the option of seeking relief under U.S. trade laws from unfairly-priced imports.

"Fair trade" laws are essential to "free trade". They should not be weakened by the changes proposed by Japan, Korea, and others. Your assistance is greatly appreciated.

Sincerely,

John F. Meier

JFM/dh